

HOUSEHOLD

Employer's Guide 2003

2003 Payroll Tax Rates, Taxable Wage Limits, and Maximum Benefit Awards

Unemployment Insurance (UI)

The UI taxable wage limit for 2003 is \$7,000 per employee. The UI tax rate for new employers is 3.4 percent (.034) for the first three years. The UI tax rate for experienced employers varies based on each employer's experience and the balance in the UI Fund. The 2003 maximum weekly benefit award is \$370. Please refer to [page 16](#) for additional information.

Employment Training Tax (ETT)

The 2003 ETT rate is 0.1 percent (.001) on the first \$7,000 of each employee's wages. Please refer to [page 16](#) for additional information.

State Disability Insurance (SDI)

The 2003 SDI tax rate was not available at the time this guide was published. The SDI taxable wage limit is \$56,916 per employee, per year. The 2003 maximum weekly benefit award is \$602. Please refer to [page 16](#) for additional information.

California Personal Income Tax (PIT) Withholding

You are not required to withhold PIT from your household employees' wages. However, if you agree to withhold PIT for any of your household employees, PIT withholding is based on the amount of wages paid, the number of withholding allowances claimed by the employee, and the payroll period. Please refer to [pages 16](#) and [17](#) for additional information.

NOTE: UI, ETT, and SDI rate information is available on the Employment Development Department's (EDD's) 24-hour automated call system at (916) 653-7795.

Important Information

Telefile: An interactive voice response system designed especially for employers with a small number of employees, like many household employers. For additional information, please see [page 60](#).

Values of Meals and Lodging: If you provide meals and/or lodging to your employees, please see [page 15](#).

Easy Access to Payroll Tax Help and Forms: Please see [page 1](#) for instructions on how to obtain payroll tax forms and assistance from the Internet, fax, telephone, or Employment Tax Offices.

Workers' Compensation Insurance: If you have employees, you are required by law to have workers' compensation insurance coverage. Please refer to [page 67](#) for additional information.

Wage and Tax Statements (Forms W-2): You must provide Internal Revenue Service Forms W-2 to your employees each year by January 31. For more information, please refer to [page 58](#).



Dear Household Employer:

To help you and the many other Californians who use in-home services meet your reporting and payment obligations simply and quickly, the Employment Development Department (EDD) now offers convenient options. They include:

- Household Employer Internet Reporting allows employers of household workers to file their most commonly used payroll tax forms over the Internet. This application allows employers of household workers to pay their taxes over the Internet using the Electronic Funds Transfer-Automated Clearing House debit method.
- Telefile allows you to file and pay your employment taxes by telephone. You simply dial a toll-free number, enter a personal identification number assigned to you, and enter the information when prompted. You may file your quarterly wage and withholding reports, annual payroll tax return, and pay amounts due by phone.

For more information on our Internet and Telefile options, refer to [pages 59](#) and [60](#) of this guide.

If you have questions on your payroll tax requirements, visit our Web site at www.edd.ca.gov, call us toll-free at (888) 745-3886, or visit one of our Employment Tax Offices located throughout California. The office locations are listed on our Web site and also on [page 1](#) of this guide.

I hope this guide is helpful to you, and I invite any suggestions you have for making it easier to meet your payroll tax reporting obligations.

Sincerely,

MICHAEL S. BERNICK
Director
Employment Development Department

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Glossary



Personal Computer

Access EDD's Web site at **www.edd.ca.gov** to:

- Download and order forms, instructions, and publications at **www.edd.ca.gov/taxform.htm**.
- Obtain answers to Frequently Asked Questions at **www.edd.ca.gov/taxfaq.htm**.
- Obtain information on payroll tax seminars at **www.edd.ca.gov/taxsem**.
- Obtain tax information and learn about EDD services at **www.edd.ca.gov/taxind.htm**.
- Send comments and questions to EDD on-line at **www.edd.ca.gov/eddmil.htm** (select "Payroll Tax" under "Topic").

Access the California Tax Information Center Web site at **www.taxes.ca.gov** for federal and California tax information for businesses and individuals.



Walk-in

For information and advice on your payroll tax responsibilities, visit your local Employment Tax Office listed below between 8 a.m. and 5 p.m. PT.

Bakersfield ¹	1800 30 th Street, Ste. 390, 93301
Chico	240 West Seventh Street, 95928
Escondido	240 West 2 nd Avenue, 92025
Eureka	409 "K" Street, Ste. 202, 95501
Fresno	1050 "O" Street, 93721
Laguna Hills	23151 Plaza Pointe Drive, Ste. 140, 92653
Long Beach ²	4300 Long Beach Boulevard, Ste. 700A, 90807
Los Angeles	4021 Rosewood Avenue, Ste. 301, 90004
Modesto	3340 Tully Road, Ste. E-10, 95350
Monterey	1900 Garden Road, Ste. 160, 93940
Oakland	7700 Edgewater Drive, Ste. 100, 94621
Orange	1855 West Katella Avenue, Ste. 100, 92867
Pleasant Hill	3478 Buskirk Avenue, Ste. 215, 94523



Fax-on-Demand

Dial (877) 547-4503 from your fax machine to get most tax forms, publications, and information sheets. You can also listen to recorded messages on various payroll tax topics.



Telephone

Call (888) 745-3886 to speak to a representative. Staff are available Monday through Friday from 7 a.m. to 6 p.m., Pacific Time (PT) to answer your questions. If you are outside the U.S. or Canada, call us at (916) 464-3502.

For the hearing impaired, call (800) 547-9565.

Self Service Offices

Tax forms, a mail drop, and a free direct-line are available from 8 a.m. to 5 p.m. PT at our self service offices listed below.

Capitola	2045 40 th Avenue Suite A, 95010
El Centro	1550 West Main Street, 92243
Fontana	17590 Foothill Boulevard, 92335
Marysville	1114 Yuba Street, 95901
Palm Springs	1111 E. Tahquitz Canyon Way, Bldg. C, 92262
Redding	1325 Pine Street, 96001
Riverside	1180 Palmyra Avenue, Suite B, 92507
Vallejo	125 Corporate Place, 94590
Visalia	5429 Avenida de Los Robles, Suite A, 93291

¹ The Franchise Tax Board and the State Board of Equalization are also located at these sites offering in-person, one-stop tax service.

² The Franchise Tax Board is also located at this site.

2003 CALENDAR OF FILING DATES

Delinquent if Not Postmarked or Received by	Annual Taxpayers	Quarterly Taxpayers
January 31, 2003	<ul style="list-style-type: none"> File <i>Quarterly Report of Wages and Withholdings for Employers of Household Workers</i> (DE 3BHW) for quarter ending December 31, 2002 File <i>Annual Payroll Tax Return for Employers of Household Workers</i> (DE 3HW) with payment for 2002 Furnish <i>Wage and Tax Statements</i> (Forms W-2) to employees for 2002. (See page 58 for additional information.) 	<ul style="list-style-type: none"> File <i>Payroll Tax Deposit</i> (DE 88) with payment for quarter ending December 31, 2002 File <i>Quarterly Wage and Withholding Report</i> (DE 6) for quarter ending December 31, 2002 File <i>Annual Reconciliation Statement</i> (DE 7) for 2002 Furnish <i>Wage and Tax Statements</i> (Forms W-2) to employees for 2002. (See page 58 for additional information.)
April 30, 2003	<ul style="list-style-type: none"> File DE 3BHW for quarter ending March 31 	<ul style="list-style-type: none"> File DE 88 with payment for quarter ending March 31 File DE 6 for quarter ending March 31
July 31, 2003	<ul style="list-style-type: none"> File DE 3BHW for quarter ending June 30 	<ul style="list-style-type: none"> File DE 88 with payment for quarter ending June 30 File DE 6 for quarter ending June 30
October 31, 2003	<ul style="list-style-type: none"> File DE 3BHW for quarter ending September 30 	<ul style="list-style-type: none"> File DE 88 with payment for quarter ending September 30 File DE 6 for quarter ending September 30
February 2, 2004	<ul style="list-style-type: none"> File DE 3BHW for quarter ending December 31, 2003 File DE 3HW with payment for 2003 Furnish Forms W-2 to employees for 2003. (See page 58 for additional information.) 	<ul style="list-style-type: none"> File DE 88 with payment for quarter ending December 31, 2003 File DE 6 for quarter ending December 31, 2003 File DE 7 for 2003 Furnish Forms W-2 to employees for 2003. (See page 58 for additional information.)

WHEN SHOULD YOU REGISTER AS AN EMPLOYER?

You must register with the Employment Development Department (EDD) as a household employer for California payroll tax purposes when you have paid cash wages totaling \$750 or more in one calendar quarter to one or more people who work as employee(s) in or around your home. Cash wages include both checks and cash. Do not include noncash wages such as meals and lodging when calculating whether you have reached the \$750 in cash wages. For a complete definition of cash and noncash wages, please see "What Are Wages?" on page 14.

For reporting purposes, there are two types of household employers—**annual** taxpayers and **quarterly** taxpayers. The flowchart on page 5 will help you determine if you should register as an annual taxpayer or a quarterly taxpayer, and page 19 explains the reporting requirements for both annual taxpayers and quarterly taxpayers.

Once registered, EDD will send you wage reporting forms each quarter. If you are an **annual** taxpayer, you must still report your employees' wages **quarterly**.

- If you pay cash wages totaling at least \$750 but less than \$1,000 in a calendar quarter, you are required to withhold State Disability Insurance (SDI) from total employee wages (cash and noncash) and send the SDI withholdings to EDD. If your cash wages drop below \$750 in a calendar quarter, see NOTES 1 and 2 on page 30 (annual taxpayers) or page 42 (quarterly taxpayers) for reporting instructions.
- If you pay cash wages totaling \$1,000 or more in a calendar quarter, you are required to pay Unemployment Insurance (UI) and Employment Training Tax (ETT) on total employee wages. You must **also** withhold SDI from total employee wages and send the withholdings to EDD. If your cash wages drop below \$1,000 in a calendar quarter, see NOTES 1 and 2 on page 29 (annual taxpayers) or page 43 (quarterly taxpayers) for reporting instructions.
- You **are** required to report employee wages that are subject to California Personal Income Tax (PIT), but you **are not** required to withhold PIT unless you and your employee(s) agree that you will do so. See page 14 for information regarding PIT wages and page 17 for information on PIT withholdings.

The calendar quarters in a year are:

<u>Quarter</u>	<u>Months in the Quarter</u>
1st	January, February, March
2nd	April, May, June
3rd	July, August, September
4th	October, November, December

Your home may be defined as any of the following:

- House
- Apartment
- Boat or mobile home
- Summer or winter home
- Condominium
- Local college club
- Local chapter of a college fraternity or sorority
- Hotel room (when the worker is employed by you, not the hotel)

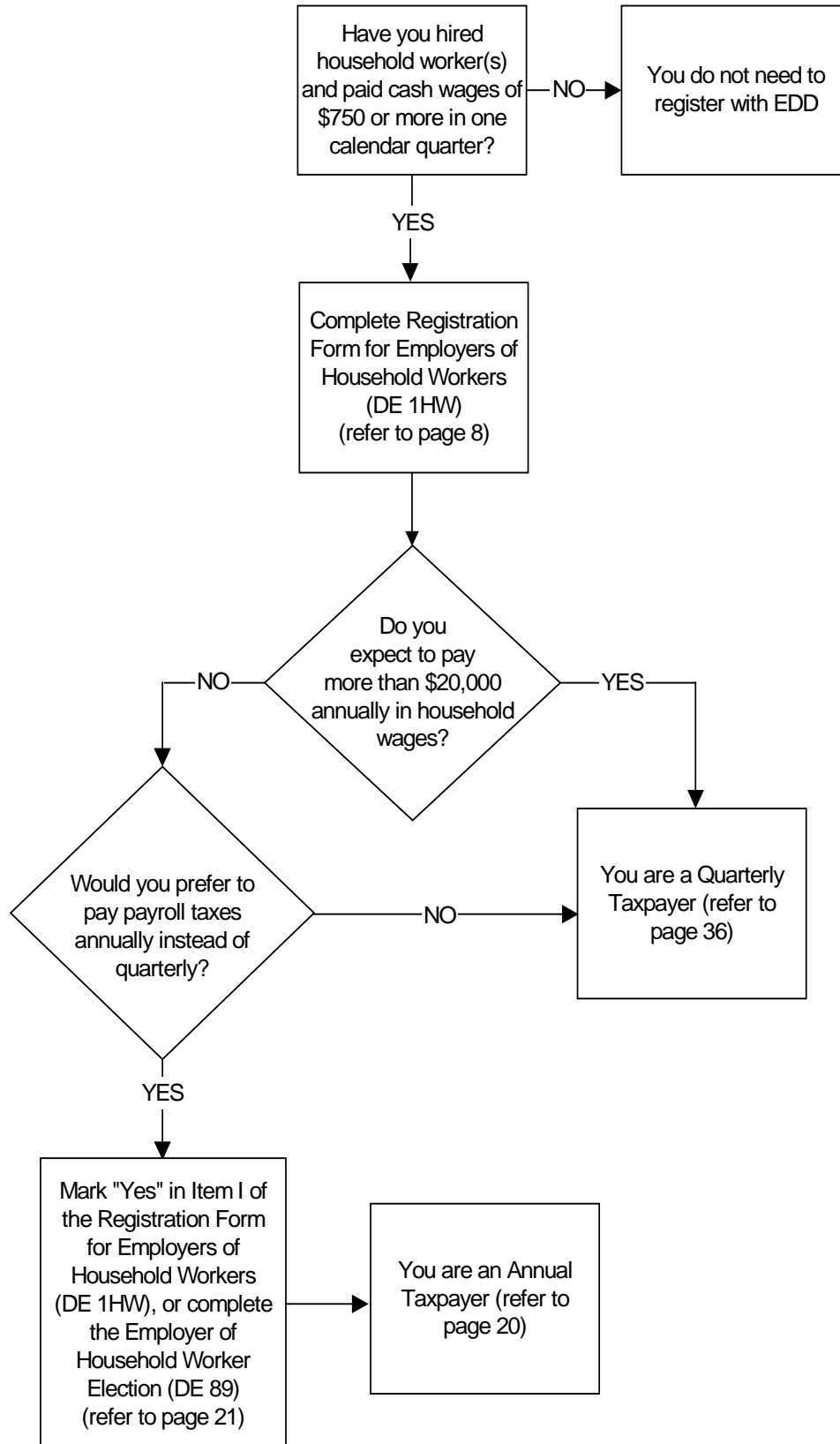
WHEN SHOULD YOU REGISTER AS AN EMPLOYER?

Examples of workers who should be considered household employees are listed on page 6.

The following examples will help you decide when you must register with EDD and begin reporting employee wages and withholdings and paying payroll taxes:

- You pay \$700 to your employee(s) in cash wages in a calendar quarter and provide meals and lodging valued at \$149. The value of meals and lodging is not considered in reaching the \$750 cash wage limit for SDI. You are not required to register, report employee wages, or withhold/pay any State payroll taxes because the cash wage limit of \$750 in a quarter has not been met.
- You pay \$750 to your employee(s) in cash wages in a calendar quarter and provide meals valued at \$75. You must register, report employee wages, and withhold SDI on the entire \$825. You are not required to pay UI and ETT taxes because the cash wage limit of \$1,000 in a quarter has not been met.
- You pay \$900 to your employee(s) in cash wages in a calendar quarter and provide meals and lodging valued at \$150. You must register, report employee wages, and withhold SDI on the entire \$1,050. You are not required to pay UI and ETT taxes because the cash wage limit of \$1,000 in a quarter has not been met (the value of meals and lodging is not included when calculating the \$1,000 cash wage limit).
- You pay \$900 to your employee(s) in cash wages in a calendar quarter. Later in the quarter, you hire another employee to whom you pay \$100 cash wages. You must register, report employee wages, and pay UI and ETT taxes and withhold SDI on the entire \$1,000 because you have met the \$1,000 cash wage limit.
- You pay \$1,000 to your employee(s) in cash wages in a calendar quarter and provide meals and lodging valued at \$100. You must register, report employee wages, and pay UI and ETT taxes and withhold SDI on the entire \$1,100 because you have met the \$1,000 cash wage limit.

Guide to Household Employer Registration



WHO ARE HOUSEHOLD EMPLOYEES?

Household employees are workers that you hire to work in and around your home. Refer to the chart below for a list of workers and whether they are or are not considered household employees. A household employee may perform services on a temporary or less than full-time basis.

These Are Household Employees ¹	These Are <u>Not</u> Household Employees
<ul style="list-style-type: none">- Babysitters- Butlers- Caretakers- Chauffeurs- Cooks²- Crews of Private Yachts- Furnacepersons- Gardeners³- Governesses/Governors- Handypersons- Home Health Care Workers- Housekeepers- Janitors- Laundry Workers- Maids- Pilots of Private Airplanes for Family Use- Valets- Waiters/Waitresses²- Pool Maintenance Persons⁴	<ul style="list-style-type: none">- Carpenters- Electricians- Librarians- Musicians- Nursing Registry- Employee Leasing Service- Painters- Plumbers- Private Secretaries- Tutors- Your Minor Children (under 18 years old)⁵- Your Parents⁵- Your Spouse⁵- Household services provided by independent businesses (for example: a janitorial service, catering service, gardening service, or pool maintenance service)

¹ This list is **not** intended to be a complete list of household employees.

² Unless employed by a catering service.

³ Unless employed by a gardening service.

⁴ Unless employed by a pool maintenance service.

⁵ Under certain conditions, your minor children (under 18 years old), parents, or spouse may be considered employees.

To obtain the *Information Sheet: Household Employment* (DE 231L), access EDD's Web site at **www.edd.ca.gov/taxform.htm#Publications** or access our Fax-on-Demand at (877) 547-4503. You may also contact the Employment Tax Call Center at (888) 745-3886 to obtain a DE 231L or find more about whether the people who work for you are independent contractors or household employees.

To register with EDD as a household employer, obtain a *Registration Form for Employers of Household Workers* (DE 1HW) in any of the following ways:

- Access EDD's Web site at **www.edd.ca.gov/taxform.htm**. You may fill out the DE 1HW using your computer (**www.edd.ca.gov/txfilfrm.htm**).
- Access our Fax-on-Demand at (877) 547-4503.
- Call the Employment Tax Call Center at (888) 745-3886.
- Visit your local Employment Tax Office (listed on page 1).

A completed sample DE 1HW form and instructions begin on page 8.

When you have completed the DE 1HW, mail or fax it to:

**Employment Development Department
Account Services Group, MIC 28
P.O. Box 826880
Sacramento, CA 94280**

Fax: (916) 654-9211

If you need your EDD employer account number immediately, call Tele-Reg at (916) 654-8706 to receive the number over the telephone. You must still mail or fax a completed DE 1HW to EDD for our files.

You will be issued an eight-digit EDD employer account number (example: 123-4567-8). This number will be on all preprinted forms sent to you. Our staff will be able to serve you more efficiently if you have your EDD employer account number ready when you call or visit our offices. Please indicate this number on all correspondence you send to EDD.

If you do not use Tele-Reg, we will notify you of your EDD employer account number by mail.

NOTE:

- If you received an EDD employer account number from Tele-Reg, please fill out the "account number" box above Section A so we do not issue you a duplicate account number.
- If you have questions about registering as a household employer, please call the Employment Tax Call Center at (888) 745-3886.

HOW TO REGISTER AS AN EMPLOYER



This form will be the basic record of your ACCOUNT. **DO NOT FILE THIS FORM UNTIL YOU HAVE PAID WAGES OF \$750.** Please read the INSTRUCTIONS below before completing this form. **PLEASE PRINT OR TYPE.** Return this form to: If you are an agency providing household workers for clients, you must file a Registration Form for Commercial Employers (DE 1).

EMPLOYMENT DEVELOPMENT DEPARTMENT
ACCOUNT SERVICES GROUP, MIC 28
P.O. BOX 826880
SACRAMENTO CA 94280-0001
(916) 654-7041 / FAX (916) 654-9211

REGISTRATION FORM FOR EMPLOYERS OF HOUSEHOLD WORKERS

D E P T U S E	ACCOUNT NUMBER										QUARTER	ETCSO	FED CODE	05	ON-LINE PROCESS DATE	TAS CODE
A. EMPLOYER NAME(S)													SOCIAL SECURITY NUMBER		DRIVER'S LICENSE NUMBER	
James Jones													123-45-6789		A1234567	
Jane Jones													234-56-7890		A2345678	
B. MAILING ADDRESS P.O. Box or Street and Number P.O. Box 12345													CITY OR TOWN Anytown	STATE CA	ZIP CODE 12345	BUSINESS PHONE (123) 456-7890
IN CARE OF:													C. EMPLOYEE WORK SITE ADDRESS 123 Myhouse Street Anytown		COUNTY Anycounty	
D. TYPE OF ORGANIZATION													INDIVIDUAL <input type="checkbox"/> HUS/WIFE <input checked="" type="checkbox"/> CORPORATION <input type="checkbox"/> OTHER <input type="checkbox"/>		Federal I.D. Number	
E. INDICATE QUARTER AND YEAR IN WHICH YOU FIRST PAID \$750 BUT NOT MORE THAN \$999 IN CASH WAGES:													Number of Employees			
<input type="checkbox"/> Jan-Mar 20__ <input type="checkbox"/> Apr-June 20__ <input type="checkbox"/> July-Sept 20__ <input type="checkbox"/> Oct-Dec 20__ <input type="checkbox"/> NONE																
F. INDICATE QUARTER AND YEAR IN WHICH YOU FIRST PAID \$1,000 OR MORE IN CASH WAGES:													Number of Employees			
<input checked="" type="checkbox"/> Jan-Mar 20_03 <input type="checkbox"/> Apr-June 20__ <input type="checkbox"/> July-Sept 20__ <input type="checkbox"/> Oct-Dec 20__ <input type="checkbox"/> NONE													2			
G. WILL YOU WITHHOLD PERSONAL INCOME TAX FROM ANY EMPLOYEE WAGES?													<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES			
H. HAVE YOU EVER BEEN REGISTERED WITH THIS DEPARTMENT?													IF YES, ENTER EMPLOYER ACCOUNT NUMBER, BUSINESS NAME AND ADDRESS			
<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES													ACCOUNT NUMBER BUSINESS NAME ADDRESS			
I. DO YOU ELECT TO PAY CALIFORNIA EMPLOYMENT TAXES ON AN ANNUAL BASIS?													<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES			
SEE INSTRUCTIONS FOR MORE INFORMATION.																
J. DECLARATION																
These Statements are hereby declared to be correct to the best knowledge and belief of the undersigned.																
Signature <u>Jane Jones</u> Date <u>March 10, 2003</u> Residence Phone <u>(123) 456-7890</u>																
Title <u>Employer</u> Residence Address <u>123 Myhouse Street, Anytown CA 12345</u>																
(Owner, Partner, Officer, etc.) Street City State ZIP Code																

INSTRUCTIONS: You must fill out this form to register with EDD within 15 days of employing and paying household workers cash wages totaling \$750 or more in any calendar quarter. Complete all sections as follows:

- Enter full name, social security number and driver's license number of the employer(s) of the household worker(s).
- Enter the address where EDD correspondence and forms should be sent.
- Enter address where household worker performs duties if different than mailing address. Enter county of work location.
- Check the appropriate box, if other, please specify. Enter federal identification number(s) if not assigned, enter "applies for".
- Check the appropriate box when you first paid \$750 or more in cash wages. Enter total number of household employees working for you. These wages are subject to state disability insurance withholding.
- Check the appropriate box when you first paid \$1,000 or more in cash wages, or check none. Enter the total number of employees working for you. These wages are subject to Unemployment Insurance and Employment Training Taxes and State Disability Insurance withholdings. Both household worker and household employer must agree if personal income tax is withheld from worker's wages.
- Check the appropriate box.
- Check no or yes box and provide additional information for yes answers.
- If you will pay \$20,000 or less in wages per year, you may elect to pay California employment taxes on an annual basis. (The sum of all subject wages, cash or non-cash, paid to all employees must be no more than \$20,000 per year.) Wage information paid to your employees must be reported on a quarterly basis on a form which will be supplied to you. If you pay more than \$20,000 in a year, the election will be terminated and you will be required to file quarterly tax returns for the remainder of the year and submit a new election if you wish to participate in the program in the future.
- This declaration must be signed by one of the persons listed in A.

We will notify you of your EDD account number by mail. To help you understand your tax withholding and filing responsibilities, you will be sent a **Household Employer's Guide, DE 8829**. You can also contact your nearest Employment Tax Customer Service Office as listed in the white pages of the telephone directory.

DE 1 HW Rev. 5 (6-01)

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All employers are required to report new employees to the New Employee Registry (NER), a federally mandated program. The NER assists in the collection of delinquent child support obligations. California employers are also required to report the start-of-work date for each newly hired employee so that the NER data can be matched to EDD's benefit payment file. This results in the early detection and prevention of Unemployment Insurance benefit overpayments.

Within 20 days of the start-of-work date, **all employees** (see "Who Are Household Employees?" on page 6 for information) who are newly hired, rehired, or returning to work from a furlough, separation, leave of absence without pay, or termination must be reported. The program's requirements are explained in the following chart:

New Employee Reporting Requirements	
Who must report	All employers
Report frequency	Within 20 days of start-of-work date
Reporting exemptions	None
Employer information to report	<ul style="list-style-type: none"> • Name • Address • EDD employer account number • Federal employer identification number, if any
Employee information to report	<ul style="list-style-type: none"> • First name, middle initial, and last name • Social security number • Home address • Start-of-work date

You may report new hire information using the *Report of New Employee(s)* (DE 34). A completed sample DE 34 is on page 11.

Instead of the DE 34, you may send a copy of the Internal Revenue Service *Employee's Withholding Allowance Certificate* (Form W-4) or your own report form if all of the employer and employee information (see table above) is provided. To obtain a DE 34, please access EDD's Web site at www.edd.ca.gov/taxform.htm, call the Employment Tax Call Center at (888) 745-3886, or call our Account Services Group at (916) 654-7041.

Send your DE 34 to:

**Employment Development Department
P.O. Box 997016, MIC 23
West Sacramento, CA 95799**

Fax: (916) 255-0951

REPORTING NEW EMPLOYEES

For common NER questions, a prerecorded message is available by calling (916) 657-0529. At the end of the message, you may stay on the line to speak to the next available Customer Service Representative or you may leave your name and telephone number and your call will be returned by the next business day.

NOTE: If the people who work in your home are independent contractors, you do not need to report them to EDD (refer to “Who Are Household Employees?” on page 6). The requirement for businesses and government entities to report independent contractors does not apply to household employers.

If you are not sure if the people who work in your home are employees or independent contractors, please call the Employment Tax Call Center at (888) 745-3886 for assistance.

REPORTING NEW EMPLOYEES



REPORT OF NEW EMPLOYEE(S)

See detailed instructions on page 2. Please type or print.
NOTE: Report new employees within 20 days of start of work.



00340600



DATE CA EMPLOYER ACCOUNT NO. BRANCH CODE FEDERAL ID NO. NO. OF FORMS NEEDED

031003

87654321

BUSINESS NAME
JAMES AND JANE JONES

CONTACT PERSON
JANE JONES

TELEPHONE NO.
(123) 456-7890

ADDRESS
PO BOX 12345

STREET

CITY
ANYTOWN CA 12345

STATE

ZIP

EMPLOYEE FIRST NAME

MARY

MI

EMPLOYEE LAST NAME

J RAYNE

SOCIAL SECURITY NO.

987654321

STREET NO.

2222

STREET NAME

OAK STREET

UNIT/APT

CITY

ANYTOWN

STATE

CA

ZIP

12345

START-OF-WORK DATE

022803

EMPLOYEE FIRST NAME

CINDY

MI

EMPLOYEE LAST NAME

V SMITH

SOCIAL SECURITY NO.

456789012

STREET NO.

1111

STREET NAME

MAPLE STREET

UNIT/APT

10

CITY

ANYTOWN

STATE

CA

ZIP

12345

START-OF-WORK DATE

022803

EMPLOYEE FIRST NAME

MI

EMPLOYEE LAST NAME

SOCIAL SECURITY NO.

STREET NO.

STREET NAME

UNIT/APT

CITY

STATE

ZIP

START-OF-WORK DATE

EMPLOYEE FIRST NAME

MI

EMPLOYEE LAST NAME

SOCIAL SECURITY NO.

STREET NO.

STREET NAME

UNIT/APT

CITY

STATE

ZIP

START-OF-WORK DATE

EMPLOYEE FIRST NAME

MI

EMPLOYEE LAST NAME

SOCIAL SECURITY NO.

STREET NO.

STREET NAME

UNIT/APT

CITY

STATE

ZIP

START-OF-WORK DATE

EMPLOYEE FIRST NAME

MI

EMPLOYEE LAST NAME

SOCIAL SECURITY NO.

STREET NO.

STREET NAME

UNIT/APT

CITY

STATE

ZIP

START-OF-WORK DATE

DE 34 Rev. 4 (6-00)

MAIL TO: Employment Development Department / P.O. Box 997016, MIC 23 / West Sacramento, CA 95799-7016
or Fax to (916) 255-0951

WHAT PAYROLL RECORDS MUST BE KEPT?

Employers are required to keep payroll records for at least four years. If you believe that you are **not** a subject employer or your employees are exempt, you are required to maintain records of payments made to people who provide household services for at least eight years in case of a payroll tax audit.

If you have any questions on the records you must keep, please request *Information Sheet: Employment Tax Audit Process* (DE 231TA) by accessing EDD's Web site at **www.edd.ca.gov/taxform.htm#Publications**, accessing our Fax-on-Demand at (877) 547-4503, or calling the Employment Tax Call Center at (888) 745-3886.

Your records must provide a true and accurate account of all workers (employed, laid off, or on a leave of absence) and all payments made. Each employee's payroll record must show the:

- Worker's:
 - Full name (first name, middle initial, and last name)
 - Social security number
- Date hired, rehired, or returned to work after a temporary layoff
- Last date services were performed
- Pay period
- Place of work
- Wages paid. Show each of the following items separately:
 - **Cash Wages:** checks and currency.
 - **Noncash Wages:** for example, meals and lodging (see "Values of Meals and Lodging" on page 15).
 - **Personal Income Tax (PIT) Wages:** Wages subject to State income taxes, even if you do not withhold PIT from your employees' wages. Generally, all wages paid to household employees are PIT wages. For additional information, refer to page 14.
 - **Employee Withholdings:** Federal Social Security and Medicare, State Disability Insurance, and California PIT.

You may use any payroll record that provides the information listed above. A sample Employee Earnings Record is provided on page 13.

WHAT PAYROLL RECORDS MUST BE KEPT?**Employee Earnings Record**

Employee's
Name: _____

Date Hired/Rehired/
Returned to Work
From Layoff: _____

Social
Security
Number: _____

Last Date Services
Were Performed: _____

For Year Ending: _____

Pay Period	Cash Wages Earned	Noncash Wages Earned	Total Wages Earned (Cash + Noncash Wages)	Withholdings				Net Wages (Total Wages – Withholdings)
				State Disability Insurance	Personal Income Tax (Optional)	Social Security	Medicare	
Year Totals								

Employer's
Name: _____

Reason for
Separation: _____

Address: _____

WHAT ARE WAGES?

Wages are all payments made to employees for personal services, whether paid by check or cash, or the reasonable cash value of noncash payments such as meals and lodging. The method of payment and the frequency of the work do not change the taxability of wages paid to employees. Whether the employment is full-time, part-time, casual, or temporary, the taxability of wages paid to employees does not change. In addition, how employees are paid does not change the employer's responsibility for payroll taxes.

If you pay your employees' share of Social Security, Medicare, and/or State Disability Insurance (SDI) without deduction from their wages, these payments may also be wages. For more information, obtain the *Information Sheet: Social Security/Medicare/SDI Taxes Paid by an Employer* (DE 231Q) by accessing EDD's Web site at **www.edd.ca.gov/taxform.htm#Publications** or calling the Employment Tax Call Center at (888) 745-3886.

What Does Subject Wages Mean?

Generally, all wages are considered subject wages and are used to determine the amount of Unemployment Insurance (UI) and SDI benefits a claimant should receive. Subject wages are the full amount of wages, regardless of the UI (\$7,000) and SDI (\$56,916) taxable wage limits.

What Are Personal Income Tax Wages?

Personal Income Tax (PIT) wages are cash and noncash payments subject to State income tax. (Wages that must be reported on an individual's California income tax return are PIT wages.) Most payments for household employees' services should be reported as PIT wages. An employee's calendar year total for PIT wages should agree with the amount reported on the employee's federal *Wage and Tax Statement* (Form W-2) in Box 16 (State Wages, Tips, etc.). While as a household employer you are not required to withhold PIT, you are required to report PIT wages for each household employee.

What Is the Difference Between Subject Wages and PIT Wages?

In most situations, subject wages and PIT wages are the same. However, subject wages and PIT wages are reported separately on your EDD quarterly report.

For additional information, obtain the following information sheets by accessing EDD's Web site at **www.edd.ca.gov/taxform.htm#Publications**, accessing our Fax-on-Demand at (877) 547-4503, or calling the Employment Tax Call Center at (888) 745-3886:

- *Information Sheet: Personal Income Tax Wages Reported on the Quarterly Report of Wages and Withholding for Employers of Household Workers* (DE 231PH)
- *Information Sheet: Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report* (DE 231PIT)

Values of Meals and Lodging

Meals and lodging provided to an employee are wages. If your employees are covered under a contract of employment or union agreement, the taxable value of meals and lodging should not be less than the estimated value stated in that document. If the cash value is not stated in an employment contract or union agreement, please use the tables below to determine the value of the meals and/or lodging you provide to your employees. If you withhold Personal Income Tax (PIT) from your employees' wages, please refer to page 17.

Value of Meals					
Year	3 Meals per Day	Breakfast	Lunch	Dinner	Meal Not Identified
2003	\$ 8.45	\$ 1.85	\$ 2.55	\$ 4.05	\$ 2.95
2002	\$ 8.20	\$ 1.80	\$ 2.50	\$ 3.90	\$ 2.85
2001	\$ 7.85	\$ 1.70	\$ 2.40	\$ 3.75	\$ 2.75
2000	\$ 7.75	\$ 1.70	\$ 2.35	\$ 3.70	\$ 2.70

Value of Lodging

Multiply the amount you could rent the property for (ordinary rental value) by 66 2/3 percent (0.6667). Ordinary rental value may be calculated on a monthly or weekly basis between the following minimum and maximum amounts:

Value of Lodging		
Year	Maximum per Month	Minimum per Week
2003	\$ 886	\$ 28.75
2002	\$ 826	\$ 26.80
2001	\$ 778	\$ 25.25
2000	\$ 742	\$ 24.05

For more information or to obtain the *Information Sheet: Household Employment* (DE 231L), access EDD's Web site at www.edd.ca.gov or call the Employment Tax Call Center at (888) 745-3886.

WHAT ARE PAYROLL TAXES?

2003 Payroll Tax Chart				
Payroll Tax	Who Pays	Taxable Wages	Tax Rate	Maximum Tax
Unemployment Insurance (UI)	Employer	First \$7,000 of wages per employee	Changes each year based on each employer's UI experience. The EDD notifies employers of their new rates each December. Generally, a new employer's UI tax rate is 3.4 percent (.034) for the first three years.	\$378 per employee (calculated at the highest UI tax rate of 5.4 percent). Your maximum UI tax amount will be less if your rate is less than 5.4 percent.
Employment Training Tax (ETT)	Employer	First \$7,000 of wages per employee	Set by statute at 0.1 percent (.001) of UI taxable wages for employers with positive UI reserve account balances.	\$7 per employee
State Disability Insurance (SDI)	Employee. Employer withholds SDI from employee wages; employers are responsible for SDI not withheld from employee wages. If the employer pays SDI for employee(s), see page 14.	First \$56,916 of wages per employee	The 2003 SDI tax rate was not available at the time this guide was published. Set by the California State Legislature, the SDI rate may change each year. The EDD notifies employers of the new rate each December.	The maximum tax can be calculated by multiplying \$56,916 by the 2003 SDI rate.
California Personal Income Tax (PIT)	Employee. Household employers are not required to withhold PIT from employee wages unless both the employer and employee agree to withhold the tax. However, the employee is still responsible for reporting and paying any PIT due to the California Franchise Tax Board.	Normally, all PIT wages (cash and noncash). Please order the <i>California Employer's Guide</i> (DE 44) (includes the PIT withholding tables) by calling the Employment Tax Call Center at (888) 745-3886. You can also download the tables from EDD's Web site at www.edd.ca.gov/taxrte9x.htm .	California PIT is withheld based on each <i>Employee's Withholding Allowance Certificate</i> (Form W-4 or DE 4).	No maximum

Withholding California Personal Income Tax

If any of your employees wish to have California Personal Income Tax (PIT) withheld from their wages **and** you agree to withhold it, you need to report and send the PIT withheld to EDD. When the value of meals and lodging is considered PIT wages, these amounts must be added to the cash wages paid to your workers before computing the amount of PIT to withhold. Please see the "Values of Meals and Lodging" tables on page 15 to determine the cash value of these items. However, meals and lodging are excluded from PIT wages and withholding if you provide meals and lodging to your employee(s) because it is convenient for you and the:

- meals are furnished on your premises
- and/or**
- lodging is furnished on your premises and required as a condition of employment.

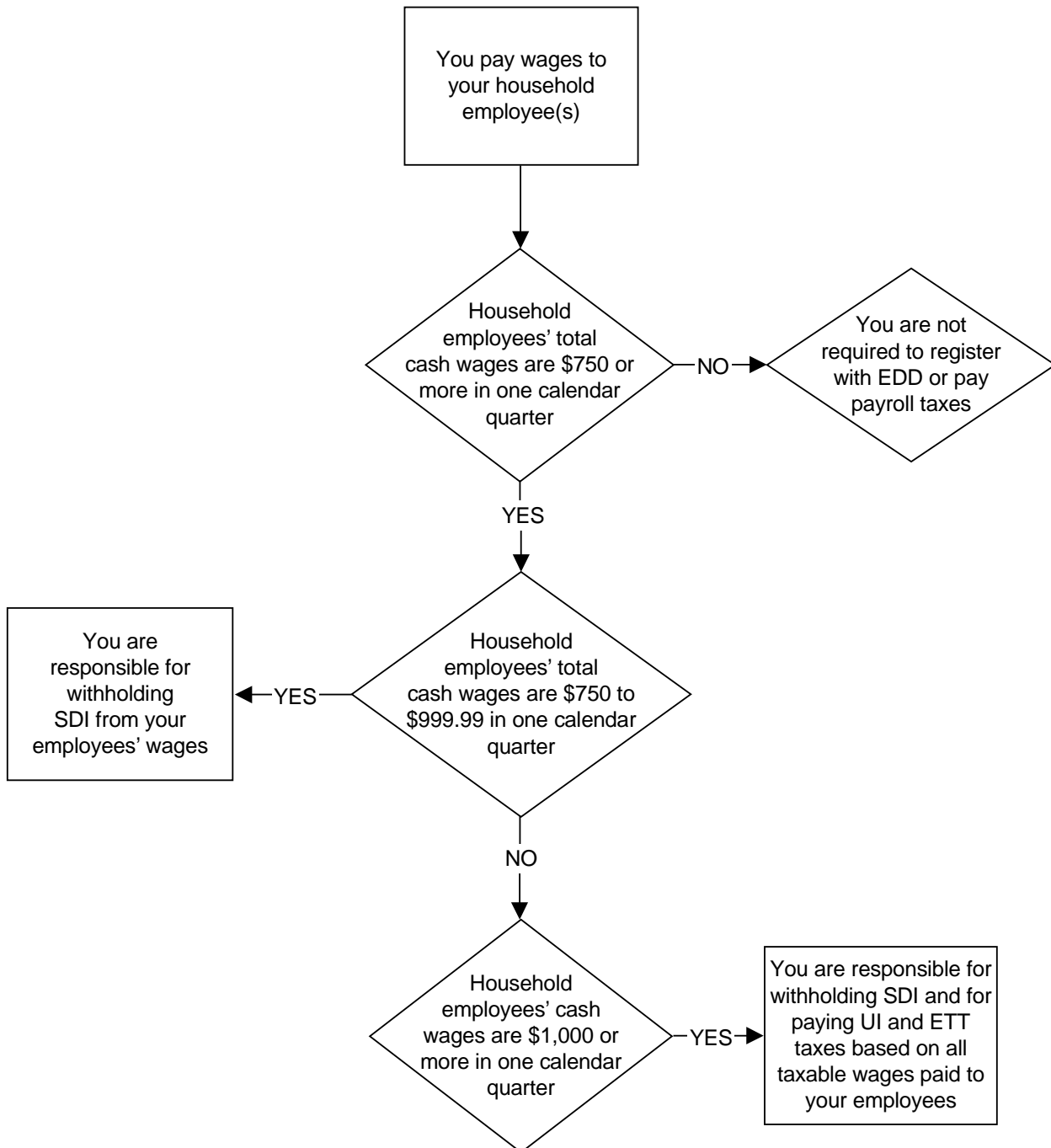
Example: A governess who eats and lives in your home so she can take care of your children would not have PIT withheld for the value of the meals and lodging because the meals and lodging are furnished on your premises for your convenience.

To have California PIT withheld, your employees must complete an Internal Revenue Service (IRS) *Employee's Withholding Allowance Certificate* (Form W-4) and/or an EDD *Employee's Withholding Allowance Certificate* (DE 4). The PIT withholding tables are located in the *California Employer's Guide* (DE 44). To obtain IRS Form W-4, access IRS' Web site at **www.irs.gov** or contact IRS at (800) 829-3676. You can download the PIT withholding tables from EDD's Web site at **www.edd.ca.gov/taxrte9x.htm#Withhold**. You can get a DE 4 and DE 44 by accessing EDD's Web site at **www.edd.ca.gov/taxform.htm#Publications** or calling the Employment Tax Call Center at (888) 745-3886.

An employee's calendar year total for PIT wages should agree with the amount reported in Box 16 on the employee's *Wage and Tax Statement* (Form W-2). The PIT wages are reported separately from subject wages on the DE 6 or DE 3BHW. While household employers are not required to withhold PIT, they are required to report PIT wages.

NOTE: Employers must include the value of meals and lodging when calculating tax payments for Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) (see "Values of Meals and Lodging" on page 15).

Guide to Payroll Taxes



How to Report and Pay Your Taxes

There are two types of household employers: **Annual** taxpayers and **Quarterly** taxpayers. The following table explains the requirements for filing payroll tax reports and making tax payments for each type:

	Annual Taxpayer	Quarterly Taxpayer
Requirements	Reports wages quarterly and pays taxes annually Please refer to page 20	Reports wages and pays taxes quarterly Please refer to page 36
Annual Wage Threshold	Pays household wages of \$20,000 or less annually and elects to be an annual taxpayer	Pays household wages that exceed \$20,000 annually or Pays household wages of \$20,000 or less annually and does not elect to be an annual taxpayer
Forms Required:		
<ul style="list-style-type: none"> Registration 	<ul style="list-style-type: none"> <i>Registration Form for Employers of Household Workers</i> (DE 1HW) <i>Employer of Household Worker Election</i> (DE 89) if election is made after filing DE 1HW 	<i>Registration Form for Employers of Household Workers</i> (DE 1HW)
<ul style="list-style-type: none"> Each Quarter 	<i>Quarterly Report of Wages and Withholdings for Employers of Household Workers</i> (DE 3BHW)	<ul style="list-style-type: none"> <i>Payroll Tax Deposit</i> (DE 88) with payment <i>Quarterly Wage and Withholding Report</i> (DE 6)
<ul style="list-style-type: none"> Each Year 	<i>Annual Payroll Tax Return for Employer of Household Workers</i> (DE 3HW) with payment	<i>Annual Reconciliation Statement</i> (DE 7)

Overview

Household employers who pay \$20,000 or less in cash and noncash wages in one calendar year may elect to make one yearly payment for all California payroll taxes. You will **not** automatically be considered an annual taxpayer. If you do not elect to become an annual taxpayer, you are a quarterly taxpayer even if you pay \$20,000 or less in wages. If you elect to pay taxes annually, you must still report employee subject wages, Personal Income Tax (PIT) wages, and PIT withholdings **quarterly**.

Household employers may elect to pay taxes annually using one of the following forms:

- **Registration Form for Employers of Household Workers** (DE 1HW)
You may elect to become an annual taxpayer when you register with EDD by checking the “Yes” box in Item I on the DE 1HW. A completed sample DE 1HW form is on page 8.
- **Employer of Household Worker Election** (DE 89)
If you previously registered with EDD, you may complete the DE 89 and return it to EDD to become an annual taxpayer. A completed sample DE 89 form is on page 21.

Annual taxpayers use the following forms to report employee wages and withholdings:

- **Quarterly Report of Wages and Withholdings for Employers of Household Workers** (DE 3BHW) – Refer to page 23. A completed sample DE 3BHW form and instructions begin on page 24.
- **Annual Payroll Tax Return for Employer of Household Workers** (DE 3HW) – You also pay your employment taxes with the DE 3HW. Refer to page 26. A completed sample DE 3HW form and instructions begin on page 27.

Employer of Household Worker Election (DE 89)

State of California



P.O. Box 826880 • Sacramento CA 94280-0001

James and Jane Jones
P.O. Box 12345
Anytown CA 12345

Date: April 1, 2003

Account No. 876-5432-1

California law allows certain Employers of Household Workers the option to pay California employment taxes for their household employees annually instead of quarterly. Information on wages paid to employees must still be reported on a quarterly basis on a form provided for this purpose. To be eligible to elect this option, an employer must:

- Be registered with this department as an Employer of Household Workers.
- Have no delinquent taxes or returns due to the department.
- Intend to pay \$20,000 or less in wages in a calendar year to your household employees. (The sum of all subject wages, cash or non-cash, paid to all employees must be no more than \$20,000 per year.)

To elect this option, complete the election form at the bottom of this document and return it to the address indicated. You will be notified in writing of your election approval. If approved, the election is effective the first day of the calendar year in which the election is filed. If you pay more than \$20,000 in wages in a year, the election will be terminated and you will be required to file and pay all payroll taxes owed for the year at the end of the calendar quarter.

If you need assistance, contact the nearest Employment Tax Customer Service Office listed under the State Government Offices section of the telephone directory under Employment Development Department.

Please cut and return the bottom portion of this form to the address below.

You may also fax your election form to (916) 654-9211.

EMPLOYER OF HOUSEHOLD WORKER ELECTION

I am an employer of household workers and wish to elect to pay California employment taxes annually. I intend to pay no more than \$20,000 per year in wages to my workers. I understand that if I pay more than \$20,000 during the year, the election will be terminated and I will be required to file and pay all payroll taxes owed for the year at the end of that calendar quarter. I will also be required to file quarterly tax returns with payment for the remainder of the year. I will then need to file a new election to be eligible for this program in subsequent years in the future.

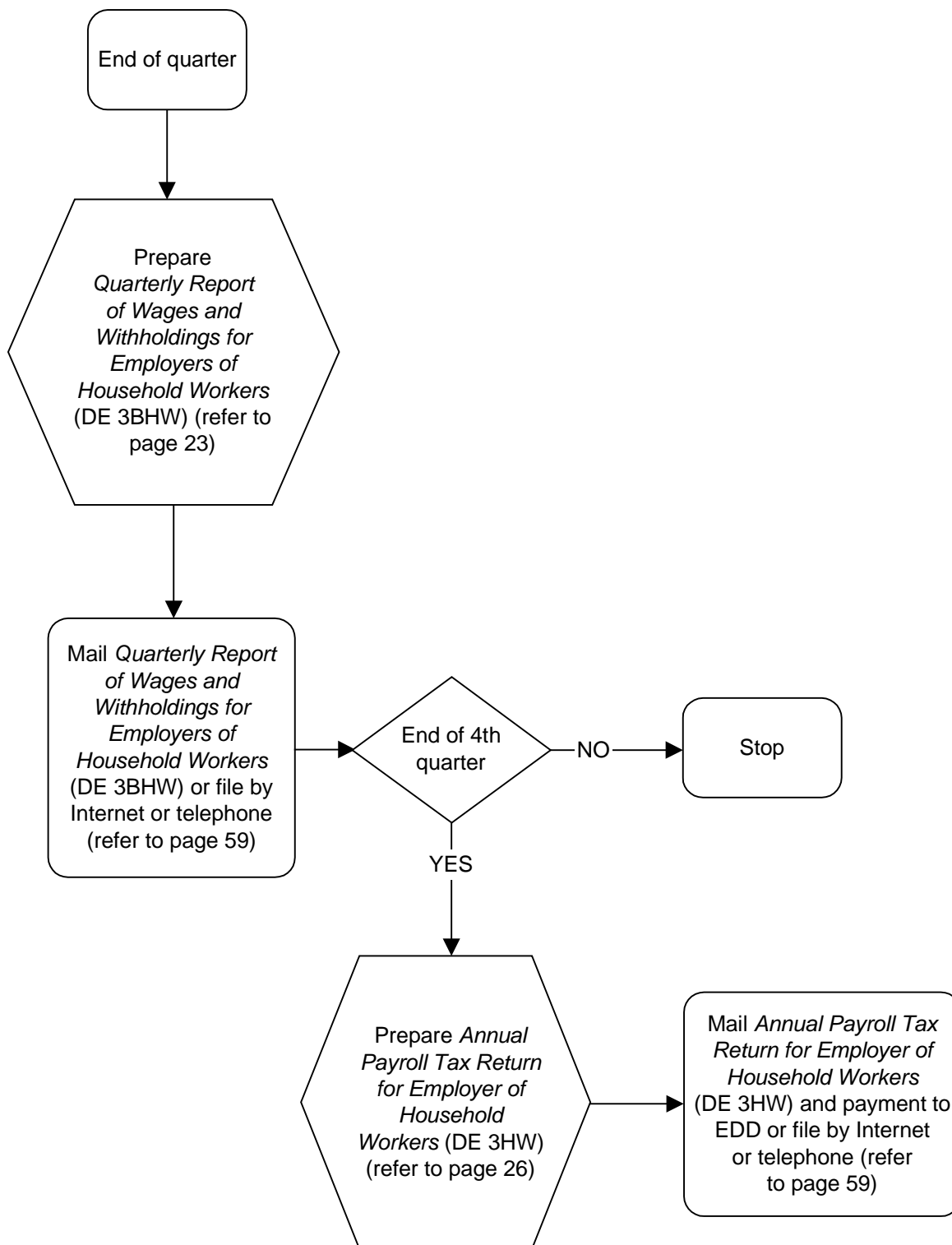
Jane Jones 4/15/03
Signature Date
James and Jane Jones (123) 456-7890
Print Name Telephone Number

876-5432-1
Account Number
P.O. Box 12345
Address
Anytown CA 12345
City State ZIP Code

STATE OF CALIFORNIA
EMPLOYMENT DEVELOPMENT DEPARTMENT, MIC 28
P.O. BOX 826880
SACRAMENTO CA 94280-0001

DE 89 Rev. 4 (2-00)

When to Prepare Payroll Tax Reports



***Quarterly Report of Wages and Withholdings for Employers
of Household Workers (DE 3BHW)***

Overview

Purpose: Household employers who have elected to pay taxes once a year must use the DE 3BHW to report employee quarterly wages subject to Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) taxes and Personal Income Tax (PIT) wages. If PIT is withheld, that amount is also reported on this form. A report must be filed each quarter. For any quarter that you do not have wages, you must check the “No Payroll This Quarter” box (Item B) on the front of the DE 3BHW and send the form to EDD.

How to Obtain: The DE 3BHW is mailed to household employers (annual taxpayers) in March, June, September, and December. The form can be obtained by accessing EDD’s Web site at **www.edd.ca.gov/taxform.htm** or calling the Employment Tax Call Center at (888) 745-3886. Not having a form to complete is not considered “good cause” (see page 71 for the definition) for filing your DE 3BHW late. If your form is lost or damaged or you have any questions about completing the DE 3BHW, please call the Employment Tax Call Center at (888) 745-3886.

When Due: See page 33.

A completed sample DE 3BHW form and instructions begin on page 24.

ANNUAL TAXPAYERS

QUARTERLY REPORT OF WAGES AND WITHHOLDINGS FOR EMPLOYERS OF HOUSEHOLD WORKERS



State of California

APPROVED EXTENSION TO: _____

Instructions for completion are available on page 2.

PLEASE TYPE ALL INFORMATION

QUARTER ENDED 06/30/03 DUE 07/01/03

 DELINQUENT IF
 NOT POSTMARKED
 OR RECEIVED BY 07/31/03

YR QTR

03	2
----	---

EMPLOYER ACCOUNT NUMBER

87654321

James and Jane Jones

P.O. Box 12345

Anytown CA 12345

DEPT. USE ONLY	DO NOT ALTER THIS AREA									
	P1	C	T	S	W	A				
	EFFECTIVE DATE						WIC			

 A. NUMBER OF EMPLOYEES full-time and part-time who worked during or received pay subject to UI for payroll period **which includes the 12th** of the month.
B. ☐ No Payroll This Quarter

1ST MONTH	2ND MONTH	3RD MONTH
2	2	2

C. SOCIAL SECURITY NUMBER 345-67-8901	D. EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST) Mary J. Rayne		
	E. TOTAL SUBJECT WAGES 4000.00	F. PIT WAGES 4000.00	G. PIT WITHHELD 0.00
C. SOCIAL SECURITY NUMBER 456-78-9012	D. EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST) Cindy V. Smith		
	E. TOTAL SUBJECT WAGES 1000.00	F. PIT WAGES 1000.00	G. PIT WITHHELD 0.00
C. SOCIAL SECURITY NUMBER	D. EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
	E. TOTAL SUBJECT WAGES	F. PIT WAGES	G. PIT WITHHELD
C. SOCIAL SECURITY NUMBER	D. EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
	E. TOTAL SUBJECT WAGES	F. PIT WAGES	G. PIT WITHHELD
H. GRAND TOTAL SUBJECT WAGES 5000.00		I. GRAND TOTAL PIT WAGES 5000.00	J. GRAND TOTAL PIT WITHHELD 0.00

K. I declare that the information herein is true and correct to the best of my knowledge and belief.

 Signature Jane Jones Title Employer Phone (123) 456-7890 Date 07/20/03
 (Employer, Accountant, Preparer, etc.)

You have received this Report of Wages and Withholdings for Employers of Household Workers, DE 3BHW, in lieu of the Quarterly Wage and Withholding Report, DE 6, because you have elected to pay taxes for your Household Workers on an annual basis. This form will be mailed to you quarterly and an Annual Payroll Tax Return For Employer Of Household Workers, DE 3HW, will be mailed to you in the fourth quarter. This annual process is only available to employers who pay \$20,000 or less in household wages during the calendar year. If your wage estimate is understated and you do pay more than \$20,000 in wages in the calendar year, please follow the instructions on the back of this form under the "QUESTION" topic.

You must file this report even if you had no payroll by marking Item B, and indicating "0" in each of the three boxes in Item A, and in the Grand Total Boxes, Items H, I, and J.

MAIL TO: State of California / Employment Development Department / P.O. Box 826221 / MIC 28B / Sacramento, CA 94230-6221

DE 3BHW Rev. 3 (12-01)

***Quarterly Report of Wages and Withholdings for Employers
of Household Workers (DE 3BHW)***

Instructions

You must file this form even if you had no payroll. If you had no payroll, see "Item B." Complete all items on the DE 3BHW as follows:

- A. For each of the three months in the quarter, enter the number of full-time and part-time employees who worked during or received wages subject to UI taxes for the payroll period that includes the 12th of the month. If you had no UI-subject employees for that period, please enter zero (0) in the box that applies to the month(s) that you had no UI-subject employees. Blank boxes will be identified as missing information.
- B. If you had no payroll during the quarter, check this box and complete Item K.
- C. Enter the social security number (SSN) of each employee to whom you paid wages during the quarter. If an employee does not have an SSN, leave the SSN box blank and **take immediate steps to secure an SSN.**
- D. Enter the full first name, middle initial (if any), and last name of each employee.
- E. Enter the total amount of cash and noncash wages (including cents) paid to each employee during the quarter. Noncash wages include meals and lodging (see "Values of Meals and Lodging" on page 15). Please do not use commas or dollar signs. Generally, all wages paid to household employees are "subject wages." Please call the Employment Tax Call Center at (888) 745-3886 if you have questions regarding subject wages.
- F. Enter the total amount of all wages (including cents) paid during the quarter that are subject to PIT, even if you did not withhold PIT. Generally, all wages paid to household employees are subject to PIT. (See "What Are Personal Income Tax Wages?" on page 14.) If you provide meals and/or lodging for your employee(s), refer to page 15. You must enter the total subject wages (Item E) and PIT wages, even if they are the same.
- G. Enter the amount of PIT (including cents) withheld from each employee's wages during the quarter.
- H. Enter the total subject wages (Item E).
- I. Enter the total PIT wages (Item F).
- J. Enter the total PIT withheld (Item G).
- K. Sign the form, and enter your title, telephone number, and the date signed. (Note: the person preparing this form or the person responsible for the information on this form **must** sign on Item K.)

Annual Payroll Tax Return for Employers of Household Workers (DE 3HW)

Overview

Purpose: Household employers who have elected to pay taxes once a year use the DE 3HW to send Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) withheld to EDD. If Personal Income Tax (PIT) is withheld, that amount is also sent to EDD with this form.

How to Obtain: The DE 3HW is mailed to household employers (annual taxpayers) in December. The form can also be obtained by accessing EDD's Web site at www.edd.ca.gov/taxform.htm or calling the Employment Tax Call Center at (888) 745-3886.

Not having a form to complete is not considered "good cause" (see page 71 for the definition) for filing your DE 3HW late. If your form is lost or damaged or you have any questions about completing the DE 3HW, please call the Employment Tax Call Center at (888) 745-3886.

When Due: For 2003, the DE 3HW is due January 1, 2004, and must be postmarked or received by February 2, 2004. If you are unable to pay all or part of your taxes on time, you must still file your DE 3HW. Penalty and interest will be charged on late payroll tax payments and reports.

Tax Rates: Your UI, SDI, and ETT rates will be entered on the preprinted DE 3HW sent to you. If you paid \$1,000 or more in cash wages in a quarter during the year and your DE 3HW form does not show UI and ETT rates, please call (916) 653-7795.

NOTE: If your total wages exceed \$20,000 during the year, you must notify EDD immediately that you need to change to a quarterly taxpayer. See page 35 for information on changing from an annual taxpayer to a quarterly taxpayer.

A completed sample DE 3HW form and instructions begin on page 27.



State of California

ANNUAL PAYROLL TAX RETURN FOR
EMPLOYER OF HOUSEHOLD WORKERS

PLEASE TYPE ALL INFORMATION

APPROVED EXTENSION TO: _____

YEAR ENDED 12/31/03 DUE 01/01/04DELINQUENT IF
NOT POSTMARKED
OR RECEIVED BY 02/02/04YEAR
2003James and Jane Jones
PO Box 12345
Anytown, CA 1234587654321

EMPLOYER ACCOUNT NO.

DEPT. USE ONLY	DO NOT ALTER THIS AREA											
	P1	P2	C	P	U	S	T	A				
	EFFECTIVE DATE											
	Mo.	Day	Yr.									

DETAILED INSTRUCTIONS ARE
LOCATED ON PAGE 2

CHECK BOX IF: ☐ No Wages Paid this Year

☐ No Longer have Household Employees (Date) _____

☐ Revert to Quarterly Reporting (Date) _____

A. TOTAL SUBJECT WAGES PAID THIS CALENDAR YEAR -----> 19,000.00B. EMPLOYER'S UNEMPLOYMENT INSURANCE (UI) TAXES
(Total Employee Wages up to \$7000 per employee per calendar year)

(B1) WAGES		(B2) UI %		(B3)
14,000.00	X	0.034	=	476.00
(multiplied by)				

C. EMPLOYMENT TRAINING TAX (ETT)
(Total Employee Wages up to \$7000 per employee per calendar year)

(C1) WAGES		(C2) ETT %		(C3)
14,000.00	X	0.001	=	14.00
(multiplied by)				

D. EMPLOYEE STATE DISABILITY INSURANCE (SDI) TAXES
(Total Employee Wages up to a maximum limit of \$59,916 per employee per calendar year)

(D1) WAGES		(D2) SDI %		(D3)
19,000.00	X	0.009	=	171.00
(multiplied by)				

E. CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHELD -----> 0.00
(Total PIT withheld per Forms W-2)F. TOTAL TAXES DUE (Add Items B3, C3, D3, and E) -----> 661.00G. LESS VOLUNTARY PREPAYMENT OF TAXES MADE DURING THE YEAR -----> 0.00H. BALANCE OF TOTAL TAXES DUE -----> 661.00INCLUDE EMPLOYER ACCOUNT NUMBER ON YOUR CHECK. Do not staple check to return.
Make check payable to EMPLOYMENT DEVELOPMENT DEPARTMENT

I. Be sure to sign this declaration: I declare that the information herein is true and correct to the best of my knowledge and belief.

Signature Jane Jones Title Employer Phone (213) 456-7890 Date 01/05/04

(Owner, Accountant, Preparer, etc.)

Annual Payroll Tax Return for Employers of Household Workers (DE 3HW)**Instructions**

You must file a DE 3HW even if you had no payroll (check the appropriate box(es) and complete Line I).

No Wages Paid This Year: Check this box if you did not pay wages subject to UI and/or SDI taxes during the calendar year. Generally, all wages paid to household employees are subject to UI and/or SDI taxes. Please call the Employment Tax Call Center at (888) 745-3886 if you have questions regarding subject wages.

No Longer Have Household Employees: Check this box if you no longer have household employees and this is your final return. Enter last date you paid wages.

Revert to Quarterly Reporting: Check this box if you have paid over \$20,000 in wages this year. Enter date that wages paid exceeded \$20,000.

Complete all lines on the DE 3HW as follows:

- A. Enter the total amount of cash and noncash wages (including cents) that you paid to employees during the year. (Noncash wages include meals and lodging; see "Values of Meals and Lodging" on page 15.) The total should equal the total of Item H on the quarterly DE 3BHW forms (page 23) filed for the year.
- B. The UI tax is paid on the first \$7,000 of cash and noncash wages paid to each employee in 2003. Your UI tax rate will be given to you when you register with EDD or become subject to UI tax. Each December, EDD will notify you of your UI tax rate and the taxable wage limit for the upcoming year by sending a *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088).

Box B1. Enter the total UI cash and noncash wages for the year, up to \$7,000 per employee. Do not include wages exempt from UI taxes. If you have questions regarding exempt wages, please call the Employment Tax Call Center at (888) 745-3886.

Box B2. The UI tax rate is preprinted for your convenience.

Box B3. Multiply Box B1 by Box B2 and enter the result in Box B3.

The following example shows how to compute UI taxes.

Example: Total UI taxable wages for the year are \$14,000.
The UI tax rate is 3.4 percent (.034).

UI Taxable Wages	\$14,000
X UI Tax Rate	x .034
UI Taxes Due	\$476.00

Annual Payroll Tax Return for Employers of Household Workers (DE 3HW)

Instructions (Cont.)

NOTE:

1. If, after paying \$1,000 in cash wages in one or more quarters in 2002, you began paying your employee(s) less than \$1,000 in the following quarters, you must continue sending UI, ETT, and SDI tax payments to EDD through December 2003. Once you exceed the threshold on wages, you continue to be subject through the following year.
 2. If, after paying \$1,000 in cash wages in one or more quarters in 2003, you begin paying your employee(s) less than \$1,000 in the following quarters, you must continue sending UI, ETT, and SDI tax payments to EDD through December 2004. Once you exceed the threshold on wages, you continue to be subject through the following year.
 3. The wages in Boxes B1 and C1 of your *Annual Payroll Tax Return for Employer of Household Workers (DE 3HW)* should be the same total wages on which you pay UI taxes. If any of your employees were paid more than \$7,000 during the year, the wages in Line A will be more than the wages in Boxes B1 and C1.
- C. The ETT rate is set by law at 0.1 percent (.001) on the same wages that are in Box B1. If you have a negative UI reserve account balance on June 30, you will not be required to pay ETT the following year. Your ETT rate will be given to you when you register with EDD or become subject to UI tax. Each December, EDD will notify you of your ETT rate for the upcoming year by sending a *Notice of Contribution Rates and Statement of UI Reserve Account (DE 2088)*.

Box C1. Enter the total wages from Box B1.

Box C2. The ETT rate is preprinted for your convenience.

Box C3. Multiply Box C1 by Box C2 and enter the result in Box C3.

The following example shows how to compute ETT:

Example: Total ETT taxable wages for the year are \$14,000.
The ETT rate is 0.1 percent (.001).

ETT Taxable Wages	\$14,000
x ETT Rate	x .001
ETT Due	\$14.00

Annual Payroll Tax Return for Employers of Household Workers (DE 3HW)**Instructions (Cont.)**

- D. The SDI tax is deducted from each employee's wages and held by you until this annual payroll tax return is filed. For 2003, the SDI tax rate was not available at the time this guide was published. The SDI tax is withheld on the first \$56,916 of cash and noncash wages, including meals and lodging (see page 15), paid to each employee during the year. If you did not withhold SDI from your employees' wages, please see NOTE on page 31. **Since annual taxpayers are limited to \$20,000 or less total wages annually, your SDI taxable wages will be the same as total wages paid (amount in Line A).** If you have paid more than \$20,000 in wages to your household employee(s) during the year, please refer to page 35 for information on how to change from an annual taxpayer to a quarterly taxpayer.

Box D1. Enter the total SDI cash and noncash wages for the year, up to \$56,916 per employee.

Box D2. The SDI tax rate is preprinted for your convenience.

Box D3. Multiply Box D1 by Box D2 and enter the result in Box D3.

The following example shows how to compute SDI taxes:

Example: Total SDI taxable wages for the year are \$19,000.

The SDI tax rate was not available at the time this guide was published.

For this example, .9 percent was used for illustration purposes only.

SDI Taxable Wages	\$19,000
x <u>SDI Tax Rate</u>	x <u>.009</u>
SDI Taxes Due	\$171.00

NOTE:

1. If, after paying \$750 in cash wages in one or more quarters in 2002, you began paying your employee(s) less than \$750 in the following quarters, you must continue withholding SDI taxes from your employees' wages through December 2003. The SDI withholdings must be sent to EDD once a year. Once you exceed the threshold on wages, you continue to be subject through the following year.
2. If, after paying \$750 in cash wages in one or more quarters in 2003, you begin paying your employee(s) less than \$750 in the following quarters, you must continue withholding SDI taxes from your employees' wages through December 2004. The SDI withholdings must be sent to EDD once a year. Once you exceed the threshold on wages, you continue to be subject through the following year.

Annual Payroll Tax Return for Employers of Household Workers (DE 3HW)**Instructions (Cont.)**

- E. As an employer of household workers, you **are not required** to withhold PIT from employees' wages. You and your employee(s) may voluntarily agree to withhold PIT. If PIT is withheld, enter the total amount withheld, which should equal the amount reported on the employees' *Wage and Tax Statements* (Forms W-2). This amount should also equal the total of Item J on the quarterly DE 3BHW forms (page 23) filed for the year.
- F. Enter the total of Boxes B3, C3, D3, and Line E.
- G. If voluntary payments were made, enter the total of the deposit(s). If no payments were made, enter zero (0).
- H. Subtract Line G from Line F to find the amount of total taxes due. Enter this amount on Line H.
- I. Sign the form, and enter your title, telephone number, and the date signed. (Note: the person preparing this form or the person responsible for the information on this form **must** sign Line I.)

NOTE: If you pay the SDI tax without deducting it from your employees' wages, the amount of SDI you paid is considered an increase in the employees' wages and should be used to calculate UI, ETT, and SDI withholding. The additional amount should also be included as PIT wages and used to calculate the amount of PIT to withhold if you and any of your employees have agreed to withhold PIT.

If you pay Social Security and/or Medicare without deducting them from your employees' wages, these payments are not considered an increase in the employees' wages for UI, ETT, and SDI but **are** an increase in PIT wages that should be used to calculate PIT.

For assistance in calculating subject wages and PIT wages under these circumstances or to obtain the *Information Sheet: Social Security/Medicare/SDI Taxes Paid by an Employer* (DE 231Q), please access EDD's Web site at **www.edd.ca.gov/taxform.htm#Publications**, access our Fax-on-Demand at (877) 547-4503, or call the Employment Tax Call Center at (888) 745-3886.

How to Calculate Taxable Wages

Unemployment Insurance (UI) tax and Employment Training Tax (ETT) are calculated on the first \$7,000 of each employee's wages for the calendar year. State Disability Insurance (SDI) tax is calculated on the first \$56,916 of each employee's wages for the calendar year. The employees in the following example are shown not reaching the \$56,916 SDI wage limit because annual taxpayers cannot pay wages exceeding \$20,000 annually.

Example: An employer has two employees.

In the first quarter, Employee #1 is paid \$3,000 and Employee #2 is paid \$2,000.

First Quarter

Taxable Wages

	<u>UI/ETT</u>	<u>SDI</u>
Employee #1	\$3,000.00	\$3,000.00
Employee #2	<u>2,000.00</u>	<u>2,000.00</u>
Total Taxable Wages	\$5,000.00	\$5,000.00

In the second quarter, Employee #1 is paid \$6,000 and Employee #2 is paid \$1,000. Employee #1 has reached the \$7,000 wage limit for UI and ETT taxes.

Second Quarter

Taxable Wages

	<u>UI/ETT</u>	<u>SDI</u>
Employee #1	\$4,000.00	\$6,000.00
Employee #2	<u>1,000.00</u>	<u>1,000.00</u>
Total Taxable Wages	\$5,000.00	\$7,000.00

In the third quarter, Employee #1 is paid \$1,000 and Employee #2 is paid \$2,000. Employee #1 reached the \$7,000 wage limit for UI and ETT taxes in the second quarter.

Third Quarter

Taxable Wages

	<u>UI/ETT</u>	<u>SDI</u>
Employee #1	\$ 0.00	\$1,000.00
Employee #2	<u>2,000.00</u>	<u>2,000.00</u>
Total Taxable Wages	\$2,000.00	\$3,000.00

In the fourth quarter, Employee #1 is paid \$1,000 and Employee #2 is paid \$3,000. Employee #1 reached the \$7,000 wage limit for UI and ETT taxes in the second quarter. Employee #2 reached the \$7,000 wage limit for UI and ETT taxes in the fourth quarter.

Fourth Quarter

Taxable Wages

	<u>UI/ETT</u>	<u>SDI</u>
Employee #1	\$ 0.00	\$1,000.00
Employee #2	<u>2,000.00</u>	<u>3,000.00</u>
Total Taxable Wages	\$2,000.00	\$4,000.00

2003 Due Dates and Delinquency Dates

NOTE: When the last timely date falls on a Saturday, Sunday, or legal holiday, the “delinquent if not postmarked or received by” date falls on the next business day.

Form	Filing Due Dates	Delinquent if Not Postmarked or Received by
<i>Quarterly Report of Wages and Withholdings for Employers of Household Workers (DE 3BHW)</i>	April 1, 2003 for filing period of January, February, and March	April 30, 2003
	July 1, 2003 for filing period of April, May, and June	July 31, 2003
	October 1, 2003 for filing period of July, August, and September	October 31, 2003
	January 1, 2004 for filing period of October, November, and December	February 2, 2004
<i>Annual Payroll Tax Return for Employer of Household Workers (DE 3HW) (with payment)</i>	January 1, 2004 for year of 2003	February 2, 2004

If you cannot pay all or part of your taxes on time, you must still file the DE 3HW. Penalty and interest will be charged on late payroll tax payments and reports.

NOTE:

- When your DE 3BHW or DE 3HW is mailed to EDD, the postmark date is used to determine if your form is timely.
- For any quarter that you do not have wages to report, you must check the “No Payroll This Quarter” box (Item B) on the front of the DE 3BHW and send the form to EDD. If you have any questions, please call the Employment Tax Call Center at (888) 745-3886.

Correcting Prior Reports

To help clarify when EDD needs to be notified of adjustments and how adjustments are to be made, we have prepared the chart below.

	Reason for Adjustment	How to Make an Adjustment	Form to Use
Correcting prior <i>Quarterly Report of Wages and Withholdings for Employers of Household Workers</i> (DE 3BHW)	Incorrect employee social security number (SSN) and/or name reported.	File a <i>Tax and Wage Adjustment Form</i> (DE 678) with the incorrect SSN and/or name showing “0” wages and withholding and the correct SSN and name showing the employee’s actual wages and withholding.	DE 678 – complete Sections I and V.
	Incorrect wages and/or PIT information for employees previously reported.	File a DE 678 with the correct wages and/or PIT information by quarter . Information provided in annual amounts will be returned unprocessed.	DE 678 – complete Sections I and V. NOTE: If DE 3HW has been filed, also complete Section III of DE 678.
	No SSN reported for employee.	File a DE 678 with the SSN showing the employee’s name, wages, and withholding and a “000-00-0000” SSN showing the employee’s name and “0” wages and withholding.	DE 678 – complete Sections I and V.
	Failed to include wages and/or PIT information on employees not previously reported to EDD.	File a DE 678 reporting the employees, their SSNs, total subject wages, PIT wages, and PIT withheld by quarter .	DE 678 – complete Sections I and V. NOTE: If DE 3HW has been filed, also complete Section III of DE 678.
Correcting prior <i>Annual Payroll Tax Return for Employer of Household Workers</i> (DE 3HW)	Provided incorrect UI, ETT, SDI, and/or PIT information.	File a DE 678 with the correct information.	DE 678 – complete Sections I, III, and IV. If taxes are due, send a payment for the taxes due plus penalty and interest, if any, with the DE 678.

The DE 678 was designed to make it easier for you to report corrections to tax deposits and employee wage information previously reported. Detailed instructions are provided on the *Instructions for Completing the Tax and Wage Adjustment Form* (DE 678-I). For questions about when or how to use the form, adjusting previously reported payroll taxes or wages, or ordering forms, please call the Employment Tax Call Center at (888) 745-3886.

A completed sample DE 678 form is shown on pages 55 and 56.

No Longer Paying Wages

If you stop employing people to work in your home and do not intend to hire anyone in the future, you must send EDD a final DE 3BHW and DE 3HW with payment of any taxes due within 10 days. If you do plan to employ people to work in your home in the future, but have no payroll this quarter, mark Item B "No Payroll This Quarter" on the DE 3BHW and send the form to EDD. The forms can be obtained by accessing EDD's Web site at www.edd.ca.gov/taxform.htm, using the Internet order form at www.edd.ca.gov/taxordn2.htm, or calling the Employment Tax Call Center at (888) 745-3886.

When to Change From an Annual Taxpayer to a Quarterly Taxpayer

If your total wages exceed \$20,000 during the year, you must notify EDD immediately. Please call the Account Services Group at (916) 654-7041, and an EDD representative will assist you in changing to a quarterly taxpayer.

As a quarterly taxpayer, you will no longer prepare a DE 3BHW and DE 3HW. You will begin sending a *Payroll Tax Deposit* (DE 88) coupon along with your tax payment to EDD at least quarterly. Each quarter, you will also complete a *Quarterly Wage and Withholding Report* (DE 6). An *Annual Reconciliation Statement* (DE 7) must be filed for the quarters in 2003 that you are a quarterly taxpayer (the quarters you used a DE 6 to report employee wages and withholding).

For an explanation of the responsibilities of a quarterly taxpayer, please refer to the "Quarterly Taxpayers" section of this guide, beginning on page 36. This section includes examples of completed forms and instructions for completing the forms.

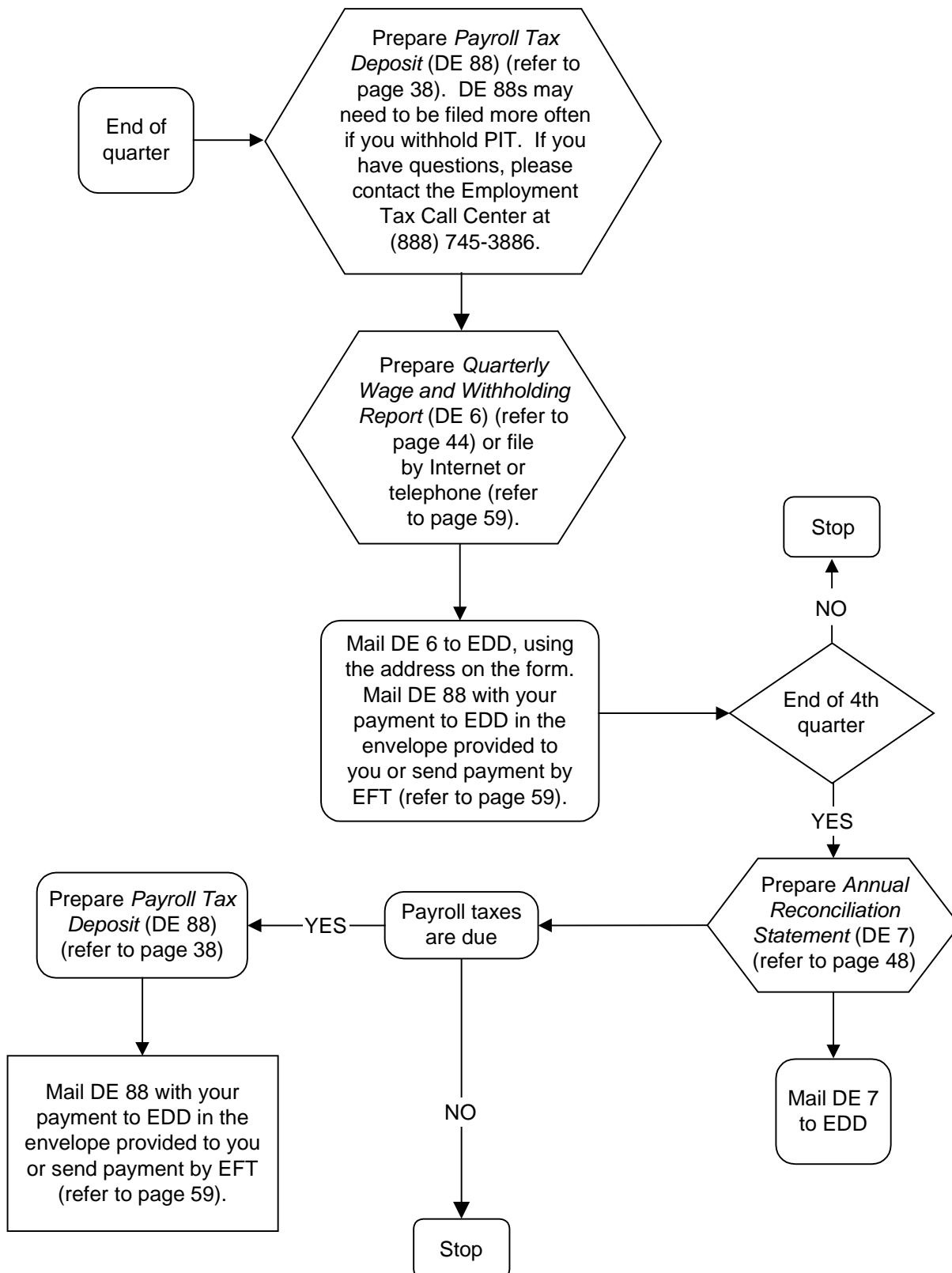
Overview

If your total annual wages (both cash and noncash) are more than \$20,000 or if you do not elect to become an annual taxpayer, you must file wage reports quarterly and pay taxes at least quarterly. You must also file an annual reconciliation of payroll taxes.

As a quarterly taxpayer, you must complete the following forms:

- **Payroll Tax Deposit** (DE 88) – Information regarding this form is on page 38. A completed sample form and instructions begin on page 39.
- **Quarterly Wage and Withholding Report** (DE 6) – Information regarding this form is on page 44. A completed sample form and instructions begin on page 45.
- **Annual Reconciliation Statement** (DE 7) – Information regarding this form is on page 48. A completed sample form and instructions begin on page 49.

When to Prepare Payroll Tax Reports



Payroll Tax Deposit (DE 88)

Overview

Purpose: Household employers who are quarterly taxpayers use the DE 88 coupon to pay Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) withheld to EDD. If Personal Income Tax (PIT) is withheld, that amount is also sent to EDD with this coupon.

How to Obtain: The DE 88 booklet will be mailed to you each year by March. Newly registered employers will be mailed a DE 88 booklet containing preprinted coupons about six weeks after registering with EDD. Preprinted envelopes are provided with the booklets.

Reorder additional DE 88 booklets using the tear-out reorder postcard at the back of the DE 88 booklet. Allow six to eight weeks for delivery. If you no longer have a reorder postcard, mail your request to:

**Employment Development Department
Account Services Group, MIC 28
P.O. Box 826880
Sacramento, CA 94280**

The DE 88 booklet can also be ordered by telephone at (916) 654-7041. To obtain blank DE 88 coupons (DE 88ALL), access EDD's Web site at **www.edd.ca.gov/taxform.htm** or call the Employment Tax Call Center at (888) 745-3886.

Not having a coupon is not considered "good cause" (see page 71 for the definition) for filing your payroll tax payments late. If your DE 88 coupon booklet is lost or damaged or you have any questions about completing the DE 88 coupon, please call the Employment Tax Call Center at (888) 745-3886.

When Due: If you do not withhold PIT or if accumulated PIT withholdings are less than \$350, taxes are due each quarter on January 1, April 1, July 1, and October 1. If accumulated PIT withholdings are \$350 or more, please call the Employment Tax Call Center at (888) 745-3886 for deposit information.

Tax Rates: The DE 88 booklet has your UI, ETT, and SDI tax rates preprinted on the coupons. If you paid \$1,000 or more in cash wages in a quarter during 2003 and your DE 88 coupon does not show UI and ETT rates, please call (916) 653-7795.

A completed sample DE 88 and instructions begin on page 39.

Payroll Tax Deposit (DE 88)

Sample

PAYROLL TAX DEPOSIT DE 88ALL		(TYPE OR PRINT IN BLACK INK ONLY):															
1. PAYROLL DATE: MUST BE COMPLETED 033103 <small>(Last PAYROLL DATE covered by deposit)</small>		2. PAYMENT TYPE: (MARK ONE BOX ONLY) <table> <tr> <td>NEXT BANKING DAY</td> <td><input type="checkbox"/></td> </tr> <tr> <td>SEMI-WEEKLY</td> <td><input type="checkbox"/></td> </tr> <tr> <td>MONTHLY</td> <td><input type="checkbox"/></td> </tr> <tr> <td>QUARTERLY</td> <td><input checked="" type="checkbox"/></td> </tr> </table>		NEXT BANKING DAY	<input type="checkbox"/>	SEMI-WEEKLY	<input type="checkbox"/>	MONTHLY	<input type="checkbox"/>	QUARTERLY	<input checked="" type="checkbox"/>						
NEXT BANKING DAY	<input type="checkbox"/>																
SEMI-WEEKLY	<input type="checkbox"/>																
MONTHLY	<input type="checkbox"/>																
QUARTERLY	<input checked="" type="checkbox"/>																
3. PAYMENT QUARTER: 031		4. PAYMENT AMOUNTS: <table> <tr> <td>A) 3.4% UI</td> <td>408.00</td> </tr> <tr> <td>B) 0.10% ETT</td> <td>12.00</td> </tr> <tr> <td>C) 0.90% SDI</td> <td>117.00</td> </tr> <tr> <td>D) California PIT</td> <td></td> </tr> <tr> <td>E) Penalty</td> <td></td> </tr> <tr> <td>F) Interest</td> <td></td> </tr> <tr> <td>G) TOTAL PAID \$</td> <td>537.00</td> </tr> </table>		A) 3.4% UI	408.00	B) 0.10% ETT	12.00	C) 0.90% SDI	117.00	D) California PIT		E) Penalty		F) Interest		G) TOTAL PAID \$	537.00
A) 3.4% UI	408.00																
B) 0.10% ETT	12.00																
C) 0.90% SDI	117.00																
D) California PIT																	
E) Penalty																	
F) Interest																	
G) TOTAL PAID \$	537.00																
EMPLOYMENT DEVELOPMENT DEPARTMENT 01880698		PAY THIS AMOUNT TOTAL LINES A THROUGH F. DO NOT FOLD OR STAPLE. Make check payable to EDD.															
PREPARER'S SIGNATURE x Jane Jones		TELEPHONE NO. (123) 456-7890															
DEPARTMENT USE ONLY		DE 88ALL Rev. 14 (3-01)															

Instructions

- Business Name and Address** Verify that your business name and address are correctly printed on the front cover of the *Payroll Tax Deposit* (DE 88) booklet. If you need to change or correct your name and/or address, please use the *Change of Address or Business* form in the back of the booklet.
- Account Number** Verify that your account number is printed correctly on the DE 88 coupon.
- Complete all items on the DE 88 as follows:
- Payroll Date**
- If you withheld less than \$350 in PIT from your employees' wages during the quarter, enter the last day of the quarter.
 - If you withheld \$350 or more in PIT from your employees' wages, enter the last day of the payroll month in which the accumulated PIT reached \$350.
- Payment Type** Check either the quarterly or monthly box, based on "Payroll Date" above.
- Payment Quarter** Enter the year and quarter that the payment should be applied to; for example, entering "03" in the first two boxes and "1" in the last box indicates that the payment is for the first quarter of 2003.

Payroll Tax Deposit (DE 88)

Instructions (Cont.)

- Payment Amounts**
- Box A: Multiply the UI taxable wages by the UI rate and enter the result in Box A. If you paid \$1,000 or more in cash wages in a quarter during the year and your DE 88 coupon does not show UI and ETT rates, please call (916) 653-7795.
- Box B: Multiply the UI taxable wages by the ETT rate and enter the result in Box B.
- Box C: Multiply the SDI taxable wages by the SDI rate and enter the result in Box C. Please note the 2003 SDI rate was not available at the time this guide was published. For this sample form, .9 percent was used for illustration purposes only.
- Box D: If you withhold California PIT from your employees' wages, enter the total PIT withheld during the period in Box D.

If your payment is timely, penalty and interest are not due. Please go to "Total Paid" (Box G).

- Penalty**
- Box E: Call the Employment Tax Call Center at (888) 745-3886 for assistance in calculating penalties.
- Interest**
- Box F: Call the Employment Tax Call Center at (888) 745-3886 for assistance in calculating interest.
- Total Paid**
- Box G: Add Boxes A, B, C, D, E, and F. This is the total amount due. Enter this amount in Box G.
- Preparer/
Telephone**
- Sign your name and enter your telephone number.

How to Calculate Taxable Wages

Unemployment Insurance (UI) tax and Employment Training Tax (ETT) are calculated on the first \$7,000 of each employee's wages. State Disability Insurance (SDI) tax is calculated on the first \$56,916 of each employee's wages.

Example: An employer has two employees.

In the first quarter, Employee #1 is paid \$8,000 and Employee #2 is paid \$5,000. Employee #1 has reached the \$7,000 wage limit for UI and ETT taxes.

First Quarter

<u>Taxable Wages</u>	<u>UI/ETT</u>	<u>SDI</u>
Employee #1	\$ 7,000.00	\$ 8,000.00
Employee #2	<u>5,000.00</u>	<u>5,000.00</u>
Total Taxable Wages	\$12,000.00	\$13,000.00

In the second quarter, Employee #1 is paid \$25,000 and Employee #2 is paid \$1,000. Employee #1 reached the \$7,000 wage limit for UI and ETT taxes in the first quarter.

Second Quarter

<u>Taxable Wages</u>	<u>UI/ETT</u>	<u>SDI</u>
Employee #1	\$ 0.00	\$25,000.00
Employee #2	<u>1,000.00</u>	<u>1,000.00</u>
Total Taxable Wages	\$ 1,000.00	\$26,000.00

In the third quarter, Employee #1 is paid \$14,000 and Employee #2 is paid \$8,000. Employee #2 has reached the \$7,000 wage limit for UI and ETT taxes.

Third Quarter

<u>Taxable Wages</u>	<u>UI/ETT</u>	<u>SDI</u>
Employee #1	\$ 0.00	\$14,000.00
Employee #2	<u>1,000.00</u>	<u>8,000.00</u>
Total Taxable Wages	\$ 1,000.00	\$22,000.00

In the fourth quarter, Employee #1 is paid \$10,000 and Employee #2 is paid \$15,000. Employee #1 and Employee #2 reached the \$7,000 wage limit for UI and ETT taxes in prior quarters. Employee #1 has reached the \$56,916 wage limit for SDI tax.

Fourth Quarter

<u>Taxable Wages</u>	<u>UI/ETT</u>	<u>SDI</u>
Employee #1	\$0.00	\$ 9,916.00
Employee #2	<u>0.00</u>	<u>15,000.00</u>
Total Taxable Wages	\$0.00	\$24,916.00

How to Compute

State Disability Insurance Withholding

The State Disability Insurance (SDI) tax rate for calendar year 2003 was not available at the time this guide was published. The SDI tax is withheld from each employee's wages on the first \$56,916 of all cash and noncash wages paid to each employee in 2003. Noncash wages include meals and lodging (see "Values of Meals and Lodging" tables on page 15). If you do not withhold SDI from your employees' wages, see NOTE 3 below.

If SDI tax is withheld from your employees' wages, a *Payroll Tax Deposit* (DE 88) coupon **must** be sent to EDD at least once each quarter, postmarked or received by the dates listed in the table on page 52. If you withhold \$350 or more in Personal Income Tax (PIT) from your employees during a quarter, please call the Employment Tax Call Center at (888) 745-3886 to determine when to send your SDI and PIT payment to EDD.

Example: Total SDI taxable wages for the quarter are \$13,000.

The SDI tax rate was not available at the time this guide was published.

For this example, .9 percent was used for illustration purposes only.

SDI Taxable Wages	\$13,000
x SDI Tax Rate	x .009
SDI Taxes Due	\$117.00 (Enter this amount in Box C)

NOTE:

1. If, after paying \$750 in cash wages in one or more quarters in 2002, you began paying your employee(s) less than \$750 in the following quarters, you must continue withholding SDI taxes from your employees' wages through December 2003. Once you exceed the threshold on wages, you continue to be subject through the following year.
2. If, after paying \$750 in cash wages in one or more quarters in 2003, you begin paying your employee(s) less than \$750 in the following quarters, you must continue withholding SDI taxes from your employees' wages through December 2004. Once you exceed the threshold on wages, you continue to be subject through the following year.
3. If you pay the SDI tax without deducting it from your employees' wages, the amount of SDI you paid is considered an increase in the employees' wages and should be used to calculate Unemployment Insurance (UI), Employment Training Tax (ETT), and SDI withholding. The additional amount should also be included as PIT wages and used to calculate PIT if you and any of your employees have agreed to withhold PIT.

If you pay Social Security and/or Medicare without deducting them from your employees' wages, these payments are not considered an increase in the employees' wages for UI, ETT, and SDI but **are** an increase in PIT wages that should be used to calculate PIT.

For assistance in calculating subject wages and PIT wages under these circumstances, please access EDD's Web site at www.edd.ca.gov/taxform.htm#Publications to obtain the *Information Sheet: Social Security/Medicare/SDI Taxes Paid by an Employer* (DE 231Q) or call the Employment Tax Call Center at (888) 745-3886.

How to Compute

Unemployment Insurance Tax and Employment Training Tax

If you pay cash wages of \$1,000 or more in one quarter to household workers, in addition to withholding SDI, you must pay UI tax and ETT at the following rates:

- The UI tax rate for new employers or those newly subject to UI is 3.4 percent (.034). Your tax rate will be given to you when you register with EDD or become subject to UI. Your tax rates (UI, ETT, and SDI) are updated once each year with a notice mailed to you in December showing the rates for the upcoming year. The UI tax is paid on the first \$7,000 of cash and noncash wages paid to each employee in 2003. Noncash wages include meals and lodging (see "Values of Meals and Lodging" on page 15).
- The ETT is paid at 0.1 percent (.001) on the first \$7,000 of cash and noncash wages paid to each employee in 2003. Under some circumstances, your ETT rate may be zero (0) after the first tax year. If you have a negative UI reserve account balance on June 30, you are not required to pay ETT the following calendar year. Your annual notice will show whether your rate is zero (0) or 0.1 percent (.001).

The UI tax and ETT amounts are paid by you, the employer, and are not withheld from your employees' wages.

Your payroll taxes and a *Payroll Tax Deposit* (DE 88) coupon **must** be sent to EDD each quarter, postmarked or received by the dates listed on the table on page 2.

Example: Total UI and ETT taxable wages for the quarter are \$12,000.

The UI tax rate is 3.4 percent (.034). The ETT rate is 0.1 percent (.001).

UI Taxable Wages	\$12,000
x UI Tax Rate	x .034
UI Taxes Due	\$ 408.00 (Enter in Box A)
ETT Taxable Wages	\$12,000
x ETT Rate	x .001
ETT Taxes Due	\$ 12.00 (Enter in Box B)

NOTE:

1. If, after paying \$1,000 in cash wages in one or more quarters in 2002, you began paying your employee(s) less than \$1,000 in the following quarters, you must continue sending UI, ETT, and SDI tax payments to EDD through December 2003. Once you exceed the threshold on wages, you continue to be subject through the following year.
2. If, after paying \$1,000 in cash wages in one or more quarters in 2003, you begin paying your employee(s) less than \$1,000 in the following quarters, you must continue sending UI, ETT, and SDI tax payments to EDD through December 2004. Once you exceed the threshold on wages, you continue to be subject through the following year.

Quarterly Wage and Withholding Report (DE 6)

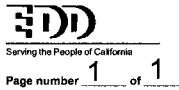
Overview

Purpose: Household employers who are quarterly taxpayers must use the DE 6 to report employee wages subject to Unemployment Insurance (UI), Employment Training Tax, and State Disability Insurance (SDI) taxes and Personal Income Tax (PIT) wages. If PIT is withheld, that amount is also reported on this form.

How to Obtain: The DE 6 is mailed to employers in March, June, September, and December. The form can be obtained by accessing EDD's Web site at **www.edd.ca.gov/taxform.htm** or calling the Employment Tax Call Center at (888) 745-3886. Not having a form to complete is not considered "good cause" (see page 71 for the definition) for filing your DE 6 late. If your form is lost or damaged or you have any questions about completing the DE 6, please call the Employment Tax Call Center at (888) 745-3886.

When Due: See page 52. A DE 6 must be filed each quarter. For any quarter that you do not pay wages, check the "No Payroll" box (Item C) on the DE 6 and send it to EDD. If you are unable to pay all or part of your taxes on time, you must still file your DE 6. Penalty and interest will be charged on late payroll tax payments and reports.

A completed sample DE 6 form and instructions begin on page 45.



**QUARTERLY WAGE
AND WITHHOLDING REPORT**

PLEASE TYPE THIS FORM PER INSTRUCTIONS ON REVERSE
You must FILE this report even if you had no payroll. If you had no payroll, complete Items C
or D and P.



00060198

QUARTER
ENDED 06/30/03

DUE 07/01/03

DELINQUENT IF
NOT POSTMARKED
OR RECEIVED BY 07/31/03

YR 03 QTR 2

JAMES AND JANE JONES
PO BOX 12345
ANYTOWN CA 12345

EMPLOYER ACCOUNT NO.

87654321

DO NOT ALTER THIS AREA

P1 C T S W A

EFFECTIVE DATE

Mo. Day Yr. WIC

A. EMPLOYEES full time and part time who worked during or
received pay for the payroll period which includes the
12th of the month.

1st Mo. 2nd Mo. 3rd Mo.
2 2 2

B. Check this box if you are reporting ONLY Voluntary Plan DI wages on this page.
Report PIT Wages and PIT Withheld, if appropriate. (See instructions for Item B.)

C. NO PAYROLL D. OUT OF BUSINESS/FINAL REPORT

E. SOCIAL SECURITY NUMBER 345678901 F. EMPLOYEE NAME (FIRST NAME) MARY (M.I.) (LAST NAME) J RAYNE

G. TOTAL SUBJECT WAGES 25000.00 H. PIT WAGES 25000.00 I. PIT WITHHELD 0.00

E. SOCIAL SECURITY NUMBER 456789012 F. EMPLOYEE NAME (FIRST NAME) CINDY (M.I.) (LAST NAME) V SMITH

G. TOTAL SUBJECT WAGES 1000.00 H. PIT WAGES 1000.00 I. PIT WITHHELD 0.00

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

E. SOCIAL SECURITY NUMBER F. EMPLOYEE NAME (FIRST NAME) (M.I.) (LAST NAME)

G. TOTAL SUBJECT WAGES H. PIT WAGES I. PIT WITHHELD

J. TOTAL SUBJECT WAGES THIS PAGE K. TOTAL PIT WAGES THIS PAGE L. TOTAL PIT WITHHELD THIS PAGE

M. GRAND TOTAL SUBJECT WAGES 26000.00 N. GRAND TOTAL PIT WAGES 26000.00 O. GRAND TOTAL PIT WITHHELD 0.00

P. I declare that the information herein is true and correct to the best of my knowledge and belief.

Preparer's Signature Jane Jones Title EMPLOYER 123 456-7890 Date 7/31/03
(Owner, Accountant, Preparer, etc.)

DE 6 Rev. 3 (1-02)

MAIL TO: State of California / Employment Development Department / P.O. Box 826288 / Sacramento, CA 94230-6288

Quarterly Wage and Withholding Report (DE 6)

Instructions

You must file a DE 6 even if you had no payroll. If you had no payroll, check Box C (and Box D, if applicable) and enter zero (0) in Items M, N, and O, and complete Item P. Complete all items on the DE 6 as follows:

- A. For each of the three months in the quarter, enter the number of full-time and part-time employees who worked during or received wages subject to UI taxes for the payroll period that includes the 12th of the month. If you had no UI-subject employees for that period, please enter zero (0) in the box that applies to the month(s) that you had no UI-subject employees. Blank boxes will be identified as missing information.
- B. Check this box **only** if you have an approved Voluntary Disability Insurance Plan for your employees (most household employers use the State Disability Insurance plan and do not check this box).
- C. If you had no payroll during the quarter, check this box and enter zero (0) in the Grand Total boxes, Items M, N, and O. Complete Box D (if applicable) and Item P.
- D. Check this box if you no longer have household employees and this is your final report.
- E. Enter the social security number (SSN) of each employee to whom you paid wages during the quarter. If an employee does not have an SSN, leave the SSN box blank and **take immediate steps to secure an SSN**.
- F. Enter the full first name, middle initial (if any), and last name of each employee.
- G. Enter the total amount of cash and noncash wages (including cents) paid to each employee during the quarter. Noncash wages include meals and lodging (see "Values of Meals and Lodging" on page 15). Please do not use commas or dollar signs. Generally, all wages paid to household employees are "subject wages." Please call the Employment Tax Call Center at (888) 745-3886 if you have questions regarding subject wages.
- H. Enter the total amount of all wages (including cents) paid during the quarter that are subject to PIT, even if you did not withhold PIT. Generally, all wages paid to household employees are subject to PIT (see "What Are Personal Income Tax Wages?" on page 14). If you provide meals and/or lodging for your household employee(s), refer to page 15. You must enter the total subject wages (Item G) and PIT wages, even if they are the same.
- I. Enter the amount of PIT (including cents) withheld from each employee's wages during the quarter.
- J. Enter the total subject wages (Item G) for **each** separate page.
- K. Enter the total PIT wages (Item H) for **each** separate page.

Quarterly Wage and Withholding Report (DE 6)

Instructions (Cont.)

- L. Enter the total PIT withheld (Item I) for **each** separate page.
- M. On page 1 or the last page, enter the grand total of subject wages (Item J) for all pages for the quarter.
- N. On page 1 or the last page, enter the grand total of PIT wages (Item K) for all pages for the quarter.
- O. On page 1 or the last page, enter the grand total of PIT withheld for all employees (Item L) for all pages for the quarter.
- P. Sign the form, and enter your title, telephone number, and the date signed. (Note: the person preparing this form or the person responsible for the information on this form **must** sign Item P.)

Annual Reconciliation Statement (DE 7)

Overview

Purpose: Household employers who are quarterly taxpayers use the DE 7 annually to reconcile payments of payroll taxes and the total subject wages reported during the year. Do not send your payments with the DE 7. If you discover that additional taxes are due, prepare a DE 88 and submit with the payment.

How to Obtain: The DE 7 is mailed to employers in December. The form can also be obtained by accessing EDD's Web site at www.edd.ca.gov/taxform.htm or calling the Employment Tax Call Center at (888) 745-3886. Not having a form to complete is not considered "good cause" (see page 71 for the definition) for filing your DE 7 late. If your form is lost or damaged or you have any questions about completing the DE 7, please call the Employment Tax Call Center at (888) 745-3886.

When Due: For 2003, the DE 7 is due January 1, 2004, and must be postmarked or received by February 2, 2004. If you are unable to pay all or part of your taxes on time, you must still file your DE 7. Penalty and interest will be charged on late payroll tax payments and reports.

Tax Rates: Your preprinted DE 7 has your Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI) tax rates preprinted on the form. If you paid \$1,000 or more in cash wages in a quarter during the year and your DE 7 form does not show your UI and ETT rates, please call (916) 653-7795.

A completed sample DE 7 form and instructions begin on page 49.



ANNUAL
RECONCILIATION STATEMENT

PLEASE TYPE THIS FORM - DO NOT ALTER PREPRINTED INFORMATION

YEAR ENDED 12/31/2003 DUE 01/01/2004 DELINQUENT IF NOT POSTMARKED OR RECEIVED BY 02/02/2004 YEAR 2003

EMPLOYER ACCOUNT NO.

87654321

James and Jane Jones
PO Box 12345
Anytown, CA 12345

DO NOT ALTER THIS AREA										
DEPT. USE ONLY	P1	P2	C	P	U	S	A			
	T									
EFFECTIVE DATE								Mo.	Day	Yr.

FEIN

ADDITIONAL FEIN

A. NO WAGES PAID THIS YEAR ☐
CHECK BOX IF: B. OUT OF BUSINESS ☐ Date

C. TOTAL SUBJECT WAGES PAID THIS CALENDAR YEAR 86,000.00

D. UNEMPLOYMENT INSURANCE (UI) (Total Employee Wages up to 7,000 per employee per calendar year)

(D1) UI % 3.4 TIMES (D2) UI TAXABLE WAGES 14,000.00 (D3) UI CONTRIBUTIONS 476.00

E. EMPLOYMENT TRAINING TAX (ETT)

(E1) ETT % 0.1 TIMES UI Taxable Wages (D2) 14,000.00 (E2) ETT CONTRIBUTIONS 14.00

F. STATE DISABILITY INSURANCE (SDI) (Total Employee Wages up to \$56,916 per employee per calendar year)

(F1) SDI % 0.9 TIMES (F2) SDI TAXABLE WAGES 85,916.00 (F3) SDI EMPLOYEE CONTRIBUTIONS WITHHELD 773.24

G. CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHELD PIT WITHHELD PER FORMS W-2 AND/OR 1099R 0.00

H. SUBTOTAL (Add Items D3, E2, F3, and G) 1,263.24

I. LESS: CONTRIBUTIONS AND WITHHOLDINGS PAID FOR THE YEAR (DO NOT INCLUDE PENALTY AND INTEREST PAYMENTS) 1,263.24

J. TOTAL TAXES DUE OR OVERPAID (Item H minus Item I) 0.00

If amount due, prepare a Payroll Tax Deposit, DE 88, and mail to P.O. Box 826276, Sacramento, CA 94230-6276. Mailing payments with DE 7 delays payment processing and may result in an erroneous penalty and interest charges. **Mandatory EFT filers must remit all SDI/PIT deposits by EFT to avoid Non-Compliance Penalty.**

K. Be sure to sign this declaration: I declare that the information herein is true and correct to the best of my knowledge and belief.

Signature James Jones Title Employer Phone (213) 456-7890 Date 01/20/2004
(Owner, Accountant, Preparer, etc.)

SIGN AND MAIL TO: State of California / Employment Development Department / P.O. Box 826286 / Sacramento CA 94230-6286

DE 7 Rev. 2 (1-02)

CU

Annual Reconciliation Statement (DE 7)

Instructions

You must file a DE 7 even if you had no payroll. If you had no payroll, check Box A (and Box B, if applicable) and complete Line K. Complete all lines on the DE 7 as follows:

Verify or enter your Federal Employer Identification Number (FEIN), if you have one. If the number is not correct, line it out and enter the correct number. If you have more than one FEIN relating to your EDD employer account number, enter the additional FEINs in the spaces indicated.

- A. Check this box if you did not pay wages subject to UI or SDI taxes during the calendar year. Generally, all wages paid to household employees are subject to UI and/or SDI taxes. Please call the Employment Tax Call Center at (888) 745-3886 if you have questions regarding subject wages.
- B. Check this box if you no longer have household employees and this is your final statement. Enter last date you paid wages.
- C. Enter the total amount of cash and noncash wages (including cents) that you paid to employees during the year. (Noncash wages include meals and lodging; see "Values of Meals and Lodging" on page 15.) The total should equal the total of Item M on your quarterly DE 6 forms (page 44) filed for the year.
- D. The UI tax is paid on the first \$7,000 of cash and noncash wages paid to each employee in 2003. Your UI tax rate will be given to you when you register with EDD or become subject to UI tax. Each December, EDD will notify you of your UI tax rate and taxable wage limit for the upcoming year by sending a *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088).

Box D1. UI tax rate.

Box D2. Enter the total UI cash and noncash wages for the year, up to \$7,000 per employee. Do not include wages exempt from UI taxes. If you have questions regarding exempt wages, please call the Employment Tax Call Center at (888) 745-3886.

Box D3. Multiply Box D1 by Box D2 and enter the result in Box D3.

- E. The ETT rate is set by law at 0.1 percent (.001) on the same wages that are in Box D2. Under some circumstances, you may not be required to pay ETT. If you have a negative UI reserve account balance on June 30, you are not required to pay ETT the following calendar year. Your ETT rate will be given to you when you register with EDD or become subject to UI tax. Each December, EDD will notify you of your ETT rate for the upcoming year by sending a *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088).

Box E1. ETT rate.

Box E2. Multiply Box E1 by Box D2 and enter the result in Box E2.

Annual Reconciliation Statement (DE 7)

Instructions (Cont.)

- F. The 2003 SDI tax rate was not available at the time this guide was published. The SDI tax is withheld on the first \$56,916 of cash and noncash wages, including meals and lodging (see page 15), paid to each employee during the year.

Box F1. SDI tax rate. For this sample form, .9 percent was used for illustration purposes only.

Box F2. Enter the total SDI cash and noncash wages for the year, up to \$56,916 per employee.

Box F3. Multiply Box F1 by Box F2 and enter the result in Box F3.

- G. As an employer of household workers, you **are not required** to withhold California Personal Income Tax (PIT) from employees' wages. You and your employee(s) may voluntarily agree to withhold PIT. If PIT is withheld, enter the total amount withheld, which should equal the amount reported on the employees' Forms W-2. This amount should also equal the total of Item O on your quarterly DE 6 forms (page 44) filed for the year.

- H. Enter the total of Boxes D3, E2, F3, and Line G.

- I. Enter the total of all UI, ETT, SDI, and PIT payments for 2003.

NOTE: Do not include any payments made during the year for any prior years or payments for penalty and interest.

- J. Subtract Line I from Line H; this should be zero (0) if all payments have been properly paid. If an amount is due, prepare a *Payroll Tax Deposit* (DE 88), designate the fourth quarter, and mail with a check or money order. **Do not** mail the DE 88 and payment in the same envelope as the DE 7.

- K. Sign the form, and enter your title, telephone number, and the date signed. (Note: the person preparing this form or the person responsible for the information on this form **must** sign Line K.)

2003 Due Dates and Delinquency Dates

NOTE: When the last timely date falls on a Saturday, Sunday, or legal holiday, the “delinquent if not postmarked or received by” date falls on the next business day.

Form	Filing Due Dates	Delinquent if Not Postmarked or Received by
<i>Quarterly Wage and Withholding Report (DE 6) and Payroll Tax Deposit (DE 88)</i> NOTE: DE 88s may be due more often if you withhold \$350 or more in PIT in a quarter. Call the Employment Tax Call Center at (888) 745-3886 for more information.	April 1, 2003 for filing period of January, February, and March	April 30, 2003
	July 1, 2003 for filing period of April, May, and June	July 31, 2003
	October 1, 2003 for filing period of July, August, and September	October 31, 2003
	January 1, 2004 for filing period of October, November, and December	February 2, 2004
<i>Annual Reconciliation Statement (DE 7)</i>	January 1, 2004 for year of 2003	February 2, 2004

If you cannot pay all or part of your taxes on time, you must still file the DE 6 and DE 7. Penalty and interest will be charged on late payroll tax payments and reports.

NOTE:

- When your DE 88, DE 6, or DE 7 is mailed to EDD, the postmark date is used to determine if your form is timely.
- For any quarter that you do not have wages to report, you must check the “No Payroll” box (Item C) on the front of the DE 6 and send the form to EDD. If you have any questions, please call the Employment Tax Call Center at (888) 745-3886.

Correcting Prior Reports

To help clarify when EDD needs to be notified of adjustments and how adjustments are to be made, we have prepared the following charts:

	Reason for Adjustment	How to Make an Adjustment	Form to Use
Correcting prior <i>Payroll Tax Deposit</i> (DE 88) coupon	Overpaid UI, ETT, SDI, and/or PIT on a DE 88 prior to filing <i>Annual Reconciliation Statement</i> (DE 7).	On the next DE 88 for the same calendar year, reduce the amount of taxes due by the amount of the overpayment. Do not show credits on the DE 88.	DE 88 – designate the applicable quarter to credit.
	Overpaid UI, ETT, SDI, and/or PIT on a DE 88 prior to filing DE 7 and it is not feasible to offset the overpayment against your next deposit.	File a <i>Tax and Wage Adjustment Form</i> (DE 678) for each DE 88 for which you are requesting a refund. This is for a refund prior to filing the year-end DE 7.	DE 678 – complete Sections I, II, III, and IV.
	Overpaid UI, ETT, and/or SDI on a DE 88 after the DE 7 was filed.	File the DE 678 with correct information.	DE 678 – complete Sections I, II, III, and IV.
	Overpaid PIT on a DE 88 after the DE 7 was filed and the Form W-2 was issued to the employee.	Do not refund overwithheld PIT to employee or change Form W-2. Employee will receive a credit for overpaid PIT when filing his/her California income tax return with the Franchise Tax Board.	None
	Underpaid UI, ETT, SDI, and/or PIT on a DE 88 prior to filing the DE 7.	File a DE 88 showing the additional amount(s) due, including penalty and interest, if any.	DE 88 – designate the applicable quarter to credit.
	Underpaid UI, ETT, SDI, and/or PIT on a DE 88 after filing your DE 7.	When you receive a <i>Employer Account Statement</i> (DE 2176) in the mail, pay the balance due.	None
	Allocated the wrong amounts to specific taxes on a DE 88.	Do not adjust. The EDD will make the necessary adjustments at the end of the year when your DE 7 is filed.	None

When written permission is obtained from the employee, you are authorized to adjust any over- or underwithholding of California PIT from the employee if the adjustment is made within the same calendar year and before the IRS Form W-2 is issued. You should obtain a receipt from the employee whenever a credit adjustment or repayment of overwithheld tax is made.

Overwithheld SDI and/or PIT must be credited or refunded to your employee before you can take a credit or receive a refund from EDD.

NOTE: A claim for credit or refund must be filed within three years of the delinquent date for the quarter or year being adjusted.

Correcting Prior Reports (Cont.)

	Reason for Adjustment	How to Make an Adjustment	Form to Use
Correcting prior <i>Quarterly Wage and Withholding Report</i> (DE 6)	Incorrect employee social security number (SSN) and/or name reported.	File a <i>Tax and Wage Adjustment Form</i> (DE 678) with the incorrect SSN and/or name showing "0" wages and withholding and the correct SSN and/or name showing the employee's actual wages and withholding.	DE 678 – complete Sections I and V.
	Incorrect wages and/or PIT information for employees previously reported.	File a DE 678 with the correct wages and/or PIT information by quarter . Information provided in annual amounts will be returned unprocessed.	DE 678 – complete Sections I and V. NOTE: If DE 7 has been filed, also complete Section III of DE 678.
	No SSN reported for employee.	File a DE 678 with the SSN showing the employee's name, wages, and withholding and a "000-00-0000" SSN showing the employee's name and "0" wages and withholding.	DE 678 – complete Sections I and V.
	Failed to include wages and/or PIT information on employees not previously reported to EDD.	File a DE 678 reporting the employees, their SSNs, total subject wages, PIT wages, and PIT withheld by quarter .	DE 678 – complete Sections I and V. NOTE: If DE 7 has been filed, also complete Section III of DE 678.
Correcting prior <i>Annual Reconciliation Statement</i> (DE 7)	Provided incorrect UI, ETT, SDI, and/or PIT information.	File a DE 678 with the correct information.	DE 678 – complete Sections I, III, and IV. If taxes are due, send a payment for the tax amount plus penalty and interest, if any, with the DE 678.

Detailed DE 678 instructions are provided on the *Instructions for Completing the Tax and Wage Adjustment Form* (DE 678-I). A completed sample DE 678 form is shown on pages 55 and 56. (At the time this guide was published, the 2003 SDI rate was not available. For this sample form, .9 percent was used for illustration purposes only.) For questions about when or how to use the form, adjusting previously reported payroll taxes or wages, or ordering forms, please call the Employment Tax Call Center at (888) 745-3886.



TAX AND WAGE ADJUSTMENT FORM

STATUTE OF LIMITATIONS
A claim for refund or credit must be filed within three years of the last timely filing date of the year being adjusted

SECTION I:

BUSINESS NAME JAMES AND JANE JONES

EMPLOYER ACCOUNT NO.

876-5432-1

ADDRESS PO BOX 12345

TAX YEAR

2003

CITY, STATE, ZIP ANYTOWN CA 12345

REASON FOR ADJUSTMENT UNDERSTATED 4TH QUARTER WAGES BY \$2,000.
DID NOT REPORT ONE EMPLOYEE.

SECTION II: REQUEST FOR REFUND OF OVERPAYMENT ON PAYROLL TAX DEPOSIT. Provide the following information and complete Items B through H in Section III, with correct deposit information.

PAYROLL DATE	YEAR	QTR	AMOUNT PREVIOUSLY PAID	\$
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
M M D D Y Y	YY	Q		

SECTION III: REQUEST FOR REFUND OR ANNUAL RECONCILIATION RETURN ADJUSTMENTS

A. TOTAL SUBJECT WAGES PAID THIS CALENDAR YEAR	>	(A)	<input type="text"/> 88,000:00
B. UNEMPLOYMENT INSURANCE (UI) TAXES			
UI RATE 3.4 % X		UI TAXABLE WAGES	<input type="text"/> 16,000:00
		= (B)	<input type="text"/> 544:00
C. EMPLOYMENT TRAINING TAX (ETT) RATE OF 0.1 % X		UI TAXABLE WAGES	<input type="text"/> 16:00
		= (C)	<input type="text"/> 16:00
D. STATE DISABILITY INSURANCE (SDI) TAXES			
SDI RATE 0.9 % X		SDI TAXABLE WAGES	<input type="text"/> 87,916:00
		= (D)	<input type="text"/> 791:24
E. CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHELD	>	(E)	<input type="text"/> 0:00
F. SUBTOTAL (Add Items B, C, D and E)	>	(F)	<input type="text"/> 1,351:24
G. LESS: TOTAL TAXES PAID FOR THE YEAR OR ON DE 88 (DO NOT INCLUDE PENALTY AND INTEREST PAYMENTS)	>	(G)	<input type="text"/> 1,263:24
H. LESS: ERRONEOUS SDI CONTRIBUTIONS NOT REFUNDED TO THE EMPLOYEE(S) (COMPLETE SECTION IV).	>	(H)	<input type="text"/> 0:00
I. TOTAL TAXES DUE OR OVERPAID (ITEM F MINUS ITEM G AND ITEM H)	>	(I)	<input type="text"/> 88:00
IF TAXES ARE DUE, SUBMIT PAYMENT WITH THIS FORM.	>		
IF SDI OR PIT WITHHOLDINGS ARE OVERPAID, COMPLETE SECTION IV.			

Complete reverse side of this form if the adjustment changes what you reported on the Quarterly Wage and Withholding Report (DE 6)

SECTION IV: STATE DISABILITY INSURANCE (SDI) AND CALIFORNIA PERSONAL INCOME TAX (PIT) OVERPAYMENTS

SDI and PIT deductions are employee contributions. The EDD cannot refund these contributions to you unless you first refund the erroneous deductions to the employee(s).

- | | | | | |
|--|--|-----------------------|--|-----------------------|
| 1. Was the overpayment withheld from the wages of employee(s)? | <input type="checkbox"/> Yes <input type="checkbox"/> No | SDI deductions | <input type="checkbox"/> Yes <input type="checkbox"/> No | PIT deductions |
| If no, no further information is required in this Section. | | | | |
| 2. If yes, was this amount refunded to the employee(s)? | <input type="checkbox"/> Yes <input type="checkbox"/> No | | <input type="checkbox"/> Yes <input type="checkbox"/> No | |

- If the overpayment has not been refunded because employee(s) are no longer employed and you are unable to locate, EDD will need further information. On a separate page list: Social Security Number, employee(s) name, last known address, and amount of SDI not refunded.
- If you have not issued W-2s, EDD will allow PIT wage and withholding credit adjustments. Please enter changes in Section V.

STOP If you have issued W-2s, the employee will receive a credit for the PIT overwithholdings when filing his/her California Income Tax Return (Form 540) with the Franchise Tax Board. Do not refund PIT overwithholdings to the employee. Do not change the California PIT withholding amount shown on the Form W-2. Do not file a claim for refund with EDD. For additional information see Instruction Sheet (DE 678-I), Section IV

Signature Jane Jones Title EMPLOYER Phone (123) 456-7890 Date 01/31/04
(Owner, Accountant, Preparer, etc.)

SIGN AND MAIL TO: P.O. Box 826286 / Sacramento CA 94230-6286

DE 678 Rev. 1 (3-01)

QUARTERLY TAXPAYERS



TAX AND WAGE ADJUSTMENT FORM

NAME or DBA <u>JAMES AND JANE JONES</u>	EMPLOYER ACCOUNT NO. <u>876-5432-1</u>
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SECTION V: QUARTERLY WAGE AND WITHHOLDING ADJUSTMENTS

Enter amounts that should have been reported, if unchanged leave field blank. Correcting the Social Security Number or Name requires two entries. See Instruction Sheet (DE 678-I), Section V, for further information and instructions.

QUARTER 03/4	SOCIAL SECURITY NUMBER 567-89-0123	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST) THOMAS T TAYLOR		
		TOTAL SUBJECT WAGES 2,000.00	PIT WAGES 2,000.00	PIT WITHHELD 0.00
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD
QUARTER	SOCIAL SECURITY NUMBER	EMPLOYEE NAME (FIRST, MIDDLE INITIAL, LAST)		
		TOTAL SUBJECT WAGES	PIT WAGES	PIT WITHHELD

No Longer Paying Wages

If you stop employing people to work in your home and do not intend to hire anyone in the future, you must send EDD a final DE 6, DE 7, and DE 88 with payment of any taxes due within 10 days. If you plan to employ people to work in your home in the future, but have no payroll this quarter, mark (Box C) "No Payroll" on the DE 6 and send the form to EDD. The forms can be obtained by accessing EDD's Web site at www.edd.ca.gov/taxform.htm, ordering them on our Internet order form at www.edd.ca.gov/taxordn2.htm, or calling the Employment Tax Call Center at (888) 745-3886.

FEDERAL WAGE AND TAX STATEMENT (FORM W-2)

As an employer, you are required to prepare a federal *Wage and Tax Statement* (Form W-2) for each of your employees. Each year, you must provide your employees with Form W-2 by January 31. Prepare the Form W-2 on the federal/state four-part paper form.

If you need information on Form W-2 reporting requirements, refer to the Internal Revenue Service (IRS) publication *Employer's Tax Guide* (Publication 15, Circular E). For federal instructions on completing Form W-2, refer to IRS publication *Instructions for Forms W-2 and W-3*. To obtain these publications, access IRS' Web site at **www.irs.gov** or call IRS at (800) 829-3676.

In addition to the federal information required, you must include California Personal Income Tax (PIT) wages, and PIT and SDI withheld in the following Form W-2 boxes:

FORM W-2	
Box	Enter
Box 16 (State wages, tips, etc.)	California PIT wages
Box 17 (State income tax)	California PIT withheld (if any)
Box 19 (Local income tax)	The abbreviation "CASDI" and SDI withheld (For additional information, see "Note" below.)

NOTE:

- If Box 19 has local taxes, use "Box 14-Other." If **no** boxes are available, you are required to provide your employees with a separate written statement containing:
 - Your business or entity name, address, and federal and EDD employer numbers.
 - The employee's name, address, and social security number.
 - The amount of SDI withheld and/or paid directly by you.
- If the wages were **not** subject for SDI, show "CASDI 0" (zero).
- If you pay SDI taxes **without** withholding SDI from the employee's wages, you should show the SDI taxes as if withheld and increase the amount you report according to the formula as shown on the *Information Sheet: Social Security/Medicare/SDI Taxes Paid By an Employer* (DE 231Q). To obtain a DE 231Q, access EDD's Web site at **www.edd.ca.gov/taxform.htm#Publications** or contact the Employment Tax Call Center at (888) 745-3886.

Generally, the amount reported as California PIT wages on Form W-2 (Box 16, State wages) is the same as the federal wages (Box 1).

If you discover an error on a previously issued Form W-2, refer to the IRS publication *Instructions for Forms W2c and W-3c* for instructions on completing an IRS *Corrected Wage and Tax Statement* (Form W-2c).

Do not send the "State" copies of Forms W-2 and Form W-2c to the State of California (EDD or FTB). However, you must continue to send Forms W-2 and W-2c to your employees and IRS.

The EDD offers electronic methods for paying taxes and filing payroll tax reports: Electronic Funds Transfer, Household Employer Internet Reporting, and Telefile.

Electronic Funds Transfer

Electronic Funds Transfer (EFT) is an electronic method for paying your State payroll taxes. Funds are transferred from your bank account, with payment information, to the State's bank account, eliminating the need to send a *Payroll Tax Deposit* (DE 88) coupon and paper check.

There are two EFT payment methods:

- Automated Clearing House (ACH) debit – Using this method, taxpayers report their payment information to the State's data collector by telephone or personal computer (PC) with modem. This method is **required** to use the payment options for Household Employer Internet Reporting and Telefile.
- ACH credit – Using this method, taxpayers report their payment information to their bank, usually by PC or through a program that is offered by their bank.

To obtain an *EFT Program Information Guide* (DE 27) and *EFT Authorization Agreement* (DE 26), access EDD's Web site at **www.edd.ca.gov/taxform.htm** or contact the EFT Unit at (916) 654-9130.

Household Employer Internet Reporting

The Household Employer Internet Reporting (HEIR) system allows household employers to file their most common EDD tax and wage forms over the Internet. Household employers who are registered with EDD for EFT ACH debit transactions can also pay their payroll taxes over the Internet.

Reports that can be filed:

Annual Taxpayers

- *Quarterly Report of Wages and Withholdings for Employers of Household Workers* (DE 3BHW)
- *Annual Payroll Tax Return for Employer of Household Workers* (DE 3HW) – EFT ACH debit method required

Quarterly Taxpayers

- *Payroll Tax Deposit* (DE 88) coupon – EFT ACH debit method required
- *Quarterly Wage and Withholding Report* (DE 6)
- *Annual Reconciliation Statement* (DE 7) – EFT ACH debit method required

Registering for HEIR

Household employers should receive an invitation and Personal Identification Number (PIN) to begin using the HEIR system. If you have not received an invitation and PIN, please call HEIR Customer Service at (800) 796-3524.

Household Employer Internet Reporting (Cont.)

Using HEIR to pay your payroll taxes

If you are a registered EFT ACH debit customer and you have received your PIN, you may begin making payroll tax payments through the HEIR Web site at **www.heir.edd.ca.gov**. If you have your PIN and are **not** registered to pay your payroll taxes by EFT ACH debit, send a completed *Internet/Telefile Remittance Authorization Agreement* (DE 26T) to the following address:

**Employment Development Department
EFT Unit, MIC 15
P.O. Box 826880
Sacramento, CA 94280**

The HEIR system features:

- Available 24 hours a day, 7 days a week.
- Get answers to tax questions.
- Get on-line help while filling out tax and wage forms.
- Complete tax and wage forms and send them to EDD on-line.
- Use EFT to pay taxes.

Before you use the HEIR system the first time, make sure you have:

- Your eight-digit EDD employer account number.
- Signed up as an EFT ACH debit customer to pay on-line.
- Either your:
 - Temporary four-digit PIN (previously sent to eligible household employers.) Also, you will need to select a permanent four-digit PIN so you can change your temporary PIN. Your permanent PIN should be different than your temporary PIN.
 - or**
 - Telefile PIN number. Telefile users can use their Telefile PIN for the HEIR system.
- The information for the forms you want to file.

For additional information regarding HEIR or to request a DE 26T, call HEIR Customer Service at (800) 796-3524 or e-mail them at **ecom@edd.ca.gov**.

Telefile

Telefile is an interactive voice response system designed especially for employers with a small number of employees, like many household employers. Employers who register with Telefile can use their telephone to electronically file reports with EDD. Employers can also pay their payroll taxes through the EFT ACH debit method option of the Telefile system. The EFT eliminates the mailing of a *Payroll Tax Deposit* (DE 88) coupon and check for payment of taxes due.

Telefile (Cont.)

How Telefile works

Use a touch-tone telephone for the fastest, easiest method to access the Telefile system. The *Tax Telefile Information Guide* (DE 747) explains how to use your telephone to telefile your tax reports and payments. You must first register on the Telefile system using your eight-digit EDD employer account number and temporary PIN. Once registered with Telefile, previously reported employee information is available, and the system will prompt you to verify employee information, report wages, delete employees, and add employees. Rotary-dial telephone users can use Telefile by selecting the Voice Response option from the Telefile Main Menu.

Reports that can be filed:

Annual Taxpayers

- *Quarterly Report of Wages and Withholdings for Employers of Household Workers* (DE 3BHW)
- *Annual Payroll Tax Return for Employer of Household Workers* (DE 3HW) – EFT ACH debit method required

Quarterly Taxpayers

- *Payroll Tax Deposit* (DE 88) coupon – EFT ACH debit method required
- *Quarterly Wage and Withholding Report* (DE 6)

Telefile system features:

- Available 24 hours a day, 7 days a week
- Toll-free telephone numbers for Telefile access and customer service
- No cost to you
- Quickly updates your account
- Eliminates mailing reports or checks
- Wage and withholding reports, supplemental reports, and payments may be filed for the current and five previous quarters; annual reports may be filed for the current and previous year
- Calculations are performed and amounts verified by the Telefile system

Register for Telefile

To find out more about Telefile or to obtain a temporary PIN to register for Telefile, please call Telefile Customer Service voicemail 24 hours a day at (800) 796-3524. Please have your eight-digit EDD employer account number ready when you call. You may also e-mail Telefile Customer Service at ecom@edd.ca.gov.

Your Reserve Account

If you pay \$1,000 or more in cash wages to household employee(s) during a calendar quarter, you are required to pay Unemployment Insurance (UI) tax and Employment Training Tax (ETT) on the first \$7,000 of wages per employee, per year. Your UI reserve account is a record of the UI taxes you have paid (credits) and the UI benefits that EDD has paid (charges) to people who no longer work for you or who qualified for reduced UI benefits when working less than full-time for you. Your UI reserve account is a “paper” account for recordkeeping purposes and has no cash value. The difference between the credits and charges is the reserve account balance, which may be positive or negative. It is used only to determine your annual UI tax rate.

Tax Rate Notice

By December 31, you will receive the *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088), which shows your UI, ETT, and State Disability Insurance (SDI) tax rates and taxable wage limits for the upcoming year.

Your tax rates and taxable wage limits are also shown on the *Annual Payroll Tax Return for Employer of Household Workers* (DE 3HW) sent to you by December 31 each year.

Any item on the DE 2088 can be protested except the ETT and SDI tax rates, which are specifically set by law. Your protest must be filed in writing within 60 days of the mail date shown on the notice, unless an extension is requested and approved for “good cause” (see page 71 for the definition.) When filing your protest, you must include your EDD employer account number, the specific item(s) being protested, and why you are protesting. Please mail your protest to:

**Employment Development Department
Contribution Rate Group, MIC 4
P.O. Box 826880
Sacramento, CA 94280**

If you need additional information, please call (916) 653-7795.

Notices

When your former employee (“claimant”) applies for UI benefits, the last employer at the time the claim is filed (which may not be you) will receive a *Notice of UI Claim Filed* (DE 1101C/Z or DE 1101ER). This notice advises you that the claimant has filed a UI claim and the reason the claimant stated for no longer working for you.

If you have any information regarding the claimant’s eligibility for UI benefits, please complete the form and return it to EDD within 10 days from the date the notice was mailed to you. If you believe that your UI reserve account should not be charged for the benefits, it is important that you provide information explaining why the claimant was terminated or the reasons the claimant gave for voluntarily quitting. The DE 1101C/Z and DE 1101ER have instructions that tell you how to complete the form. Your information is needed to determine if the claimant is eligible to receive UI benefits. Failure to respond timely may result in an increase to your UI tax rate.

If you respond to the notice within 10 days of the date it was mailed to you, EDD will send you a *Notice of Determination and/or Ruling* (DE 1080CT). A ruling advises you whether or not your UI reserve account will be charged for UI benefits when the claimant voluntarily quit or was fired.

If EDD finds that a claimant is eligible to receive UI benefits, a *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545) is mailed to all base period (see page 70) employers after the first benefit check is mailed to the claimant. When you receive one of these notices, it means that your UI reserve account could be charged for UI benefits paid to the claimant. If you believe that your UI reserve account should not be charged for the benefits, it is important that you complete the notice explaining why. The DE 1545 has instructions that tell you how to complete the form. You must return the DE 1545 by the date shown on the notice under the statement “Ruling Requests Must Be Postmarked By.” If you have already responded to a DE 1101C/Z or DE 1101ER for the same employee and separation date, you do not need to complete this form.

NOTE: Keep copies of your responses to the above notices for your records.

Notices of Determination, Ruling, or Modification

You can receive one of four notices in response to information you reported on the DE 1101C/Z or DE 1545 regarding claimant eligibility:

- *Notice of Determination* (DE 1080CT) – Sent to an employer who responds timely with eligibility information other than a voluntary quit or discharge.

NOTE: A disqualification, after payment of benefits, for reasons other than a separation issue of eligibility does not relieve benefit charges to your reserve account.

- *Notice of Ruling* (DE 1080CT) – Sent to an employer who responds timely to a *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545) with separation information.

Notices of Determination, Ruling, or Modification (Cont.)

- *Notice of Determination/Ruling* (DE 1080CT) – Sent to an employer who responds timely with eligibility information regarding a voluntary quit or discharge. The ruling portion of this notice informs the employer whether or not the reserve account will be charged for UI benefits paid.
- *Notice of Ruling* (DE 1080CT) – Sent to an employer who responds timely to a *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545) with separation information. The separation must have occurred during the base period of the claim. This notice informs the employer whether or not their UI reserve account will be charged for benefits paid.
- *Notice of Modification* (DE 1080M) – Sent to an employer who previously received a DE 1080CT stating that the claimant was disqualified. The purpose of this form is to inform the employer that the claimant's disqualification period is over.

Appeal Rights

You have the right to file an appeal if you do not agree with a decision made by EDD about your:

- Former employee's right to receive UI benefits.
- UI reserve account being charged for benefits paid to a former employee.

You must send your appeal to EDD within 20 days of the date the decision was mailed to you. If you have any questions about filing an appeal, please call EDD's UI Customer Service at (800) 300-5616. The EDD will send you an acknowledgment of receipt and registration of your appeal with the address of an Office of Appeal near you. A hearing will be scheduled with an Administrative Law Judge (ALJ). Both you and your former employee will be notified of the time and place of the hearing at least 10 days in advance. If you are filing an appeal to a *Notice of Ruling* (DE 1080CT) only, the employee is not considered a party to the proceeding and is not notified of the hearing. The ALJ will conduct an informal hearing and give all interested parties the opportunity to present their evidence.

If you do not agree with the ALJ's decision, you may appeal to the California Unemployment Insurance Appeals Board (CUIAB), which reviews decisions rendered by ALJs. Both the CUIAB and the ALJs operate impartially and independently of EDD.

Statement of Charges to Reserve Account

A *Statement of Charges to Reserve Account* (DE 428T) is mailed to you in October each year that you have benefit charges. It is for a one-year period that begins July 1 and ends June 30. This statement is an itemized list of charges to your reserve account for UI benefits paid to claimants of whom you were a base period employer. You are a base period employer if you paid wages to a claimant during the 12-month period used to establish his/her UI claim.

You may protest any charges on the DE 428T if you do not agree with them. Your protest must be in writing and received by EDD within 60 days from the mail date on the DE 428T. A 60-day extension may be granted if you can show "good cause" (see page 71 for the definition) for protests received late. An instruction sheet is included with your DE 428T to tell you how to file a protest.

Notice of Contribution Rates and Statement of UI Reserve Account

The UI, ETT, and SDI tax rates and taxable wage limits may change each year. By December 31, EDD will send you a *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088) to notify you of your UI, ETT, and SDI tax rates and taxable wage limits for the upcoming year. Your 2003 notice will show the items used to determine your UI rate and the balance in your UI reserve account as of July 31, 2002.

Any item on the DE 2088 can be protested except the ETT and SDI tax rates, which are set by law. Your protest must be filed in writing within 60 days of the mail date shown on the notice, unless an extension is requested and approved. When filing your protest, you must include your EDD employer account number, the specific item(s) being protested, and why you are protesting.

Please mail your protest to:

**Employment Development Department
Contribution Rate Group, MIC 4
P.O. Box 826880
Sacramento, CA 94280**

STATE DISABILITY INSURANCE

State Disability Insurance (SDI) is a partial wage-replacement insurance plan for California workers. The SDI program provides benefits to eligible workers who suffer a loss of wages when they are unable to work due to a nonwork-related illness or injury, or a medically disabling condition resulting from pregnancy or childbirth. The SDI program is funded through employee payroll withholdings.

Notice

When an SDI claim is filed, the employer(s) shown on the application will receive a *Notice to Employer of State Disability Claim Filed* (DE 2503). If the employer has information affecting the claimant's eligibility, the form should be completed and returned **within two working days**.

Because SDI is a separate program from Unemployment Insurance (UI), the filing of an SDI claim will not affect the employer's UI reserve account. Therefore, the employer will not be notified of the claimant's eligibility for SDI benefits as a result of the response on the DE 2503.

If you have any questions about SDI, please access EDD's Web site at **www.edd.ca.gov/diind.htm** or call SDI customer service at (800) 480-3287.

Other EDD Programs and Services

Job Service

To find the nearest Job Service site, check the government listings in your local telephone book under “Employment Development Department, Job Service Information” or the Community Services section under “Employment.” A directory of locations can also be found on EDD’s Web site at www.edd.ca.gov/jsloc.htm.

State Disability Insurance

State Disability Insurance customer service is available through the toll-free numbers listed below. Employers may press “0” at the menu of services to connect with a SDI representative.

English.....	(800) 480-3287
Spanish	(866) 658-8846
TTY (nonverbal).....	(800) 563-2441

In addition, SDI information, including a directory of offices, can also be found on EDD’s Web site at www.edd.ca.gov/diind.htm.

Unemployment Insurance

Unemployment Insurance customer service is available through the toll-free telephone numbers listed below. When you call, an automated system will provide a menu of services. Employers should press “3” for the employer menu that provides UI and Job Service information.

English.....	(800) 300-5616
Spanish	(800) 326-8937
Chinese	(800) 547-3506
Vietnamese	(800) 547-2058
TTY (nonverbal).....	(800) 815-9387
Outside of California....	(800) 250-3913

Other Agencies You Should Contact

For assistance with:

- **Federal tax requirements**, please access the Internal Revenue Service’s (IRS) Web site at www.irs.gov or call IRS (refer to the U.S. government listings in your local telephone book).
- **Labor law requirements** (such as overtime, minimum wage, and employee benefits), please access the Department of Industrial Relations (DIR) Web site at www.dir.ca.gov/dlse or call DIR’s Labor Standards Enforcement Division (refer to the government listings in your local telephone book).
- **Workers’ compensation requirements**, please access DIR’s Web site at www.dir.ca.gov/dwc or call DIR’s Workers’ Compensation Division (refer to the government listings in your local telephone book).

EDD'S Commitment to You

The EDD is committed to applying the payroll tax laws of the State of California in an equitable and impartial manner. Toward that goal, we have developed the following information to inform you of your rights during the employment taxation process.

Your Rights as an Employer

As an employer, you have the right to:

- Courteous and timely service from EDD employees.
- Expect that information maintained by EDD be kept confidential and not published or made available for public inspection. However, in certain instances, the law requires that this information be shared with other governmental agencies. When those instances occur, EDD closely follows the law to protect your rights to confidentiality.
- Call upon EDD for accurate information and assistance, and to have all your questions answered.
- Receive a clear and accurate account statement if EDD believes you owe a tax.
- Request a filing extension for up to 60 days. The law provides that EDD may grant a filing extension where "good cause" is shown for a delay.
- Request a waiver of penalty showing "good cause" for delay in filing a report/return or payment.
- An impartial audit, and a full explanation of our audit findings if your business is selected for an audit.
- Discuss an issue(s) with an EDD representative, supervisor, and office manager if you disagree with an action taken by EDD.
- Appeal certain actions to the California Unemployment Insurance Appeals Board.

The *Employers' Bill of Rights* (DE 195) brochure also has information on your rights during the employment taxation process. To request a copy of the brochure, access EDD's Web site at **www.edd.ca.gov/taxform.htm#Publications**, access Fax-on-Demand at (877) 547-4503, or call the Employment Tax Call Center at (888) 745-3886.

Office of the Taxpayer Rights Advocate

The EDD has established the Office of the Taxpayer Rights Advocate, which is responsible for providing a clear, consistent focus on protecting the rights of the taxpayer.

Problem Resolution Office

Incorporated within the Office of the Taxpayer Rights Advocate is the Problem Resolution Office (PRO), which is responsible for protecting the rights of taxpayers during all phases of the payroll tax assessment and collection process, while also protecting the interests of the State.

If you are unable to resolve a payroll tax problem with an EDD representative, supervisor, and office manager, you may contact PRO for assistance. The PRO will review the issues and facts of your case to ensure that your rights have been protected. The PRO will also work to facilitate a resolution to your problem.

If it can be substantiated that incorrect instructions were given to an employer by EDD staff, the Department's policy is to not penalize the employer for failure to comply with the law. If management in the office you have been working with cannot resolve your questions, please contact PRO at (916) 654-8957 for further assistance.

Protecting Your Privacy

The payroll tax information collected by EDD is confidential. Employers and employees may access their own personal information by mailing a letter to the Tax Disclosure Office specifying the information being requested. You may also authorize your agent or representative to access your personal information through a written authorization or a power of attorney waiving your privacy rights.

You may contact the Tax Disclosure Office at:

**Employment Development Department
Tax Disclosure Office, MIC 93
P.O. Box 826880
Sacramento, CA 94280

(916) 654-5981**

GLOSSARY

Annual Taxpayer	An employer who pays \$20,000 or less in wages in a calendar year and has elected to pay taxes annually. Sends wage reports (DE 3BHWs) to EDD quarterly; sends an annual tax return (DE 3HW) with payment to EDD annually.
Base Period	A 12-month period beginning 4 to 5 quarters prior to the filing of an Unemployment Insurance (UI) claim. A 12-month period beginning 5 or 6 quarters prior to the filing of a State Disability Insurance (SDI) claim. The base period is determined by the effective date of the UI or SDI claim.
Cash Wages	Checks and currency paid to people who work for you.
Claimant	(1) A former employee (full- or part-time) who has applied for Unemployment Insurance (UI) benefits; or (2) a current or former employee who has applied for State Disability Insurance (SDI) benefits.
Contributions	Payroll tax payments for Unemployment Insurance (UI) and Employment Training Tax (ETT).
Domestic Employee	A person hired to work for wages in or around your home. (Also known as "household employee.")
Domestic Employer	A person who hires one or more people to work for wages in or around his/her home. (Also known as "household employer.")
Domestic Services	Work done for wages by your household employee(s). (Also known as "household services.")
Electronic Funds Transfer (EFT)	A method for paying your payroll taxes by having the funds transferred from your bank account to the State's account.
Employment Training Tax (ETT)	A payroll tax of 0.1 percent (.001) used to fund job training for people likely to become unemployed or people who have been receiving Unemployment Insurance (UI) benefits.
Forms	<p>Household employers use the following forms to register and report payroll taxes and employee wages to EDD:</p> <p><u>All Household Employers:</u></p> <ul style="list-style-type: none">• <i>Registration Form for Employers of Household Workers</i> (DE 1HW)• <i>Report of New Employee(s)</i> (DE 34)• <i>Employer of Household Worker Election</i> (DE 89) – optional <p><u>Annual Taxpayers:</u></p> <ul style="list-style-type: none">• <i>Quarterly Report of Wages and Withholdings for Employers of Household Workers</i> (DE 3BHW)• <i>Annual Payroll Tax Return for Employer of Household Workers</i> (DE 3HW) <p><u>Quarterly Taxpayers:</u></p> <ul style="list-style-type: none">• <i>Payroll Tax Deposit</i> (DE 88)• <i>Quarterly Wage and Withholding Report</i> (DE 6)• <i>Annual Reconciliation Statement</i> (DE 7)

Good Cause	A substantial reason that provides a legal basis for an employer filing a tax report or payment late. "Good cause" cannot exist unless there are unusual circumstances or circumstances that could not be reasonably foreseen (for example, earthquakes or floods). For more information, please call the Employment Tax Call Center at (888) 745-3886.
Home	<p>A place in which a social unit formed by an individual or family resides. A home may be defined as any of the following:</p> <ul style="list-style-type: none">• House• Apartment• Summer or winter home• Local chapter of a college fraternity or sorority• Hotel room (when the worker is employed by you and not by the hotel)• Boat or mobile home• Condominium• Local college club
Household Employee	A person hired to work for wages in or around your home. (Also known as "domestic employee.")
Household Employer	A person who hires one or more people to work for wages in or around his/her home. (Also known as "domestic employer.")
Household Employer Internet Reporting (HEIR)	A method of sending your most common EDD tax and wage forms to EDD using the Internet.
Household Services	Work done for wages by your household employee(s). (Also known as "domestic services.")
Noncash Wages	Payments, other than cash, paid to people who work for you; for example, meals and/or lodging you provide to your employee(s).
Payroll Records	Information you keep regarding wages paid to each household employee.
Payroll Taxes	Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance (SDI), and Personal Income Tax (PIT) withholding.
Personal Income Tax (PIT) Wages	All wages paid that are subject to California PIT, even if no PIT was withheld. For a calendar year, an employee's PIT wages should match the amount reported in Box 16 (State wages, tips, etc.) of the employee's Internal Revenue Service <i>Wage and Tax Statement</i> (Form W-2).
Personal Income Tax (PIT) Withholding	Commonly known as State income tax, which you are not required to withhold from your household employees' wages. You and your employee(s) may voluntarily agree to withhold PIT.

GLOSSARY

Quarter A three-month period in a calendar year, as shown below:

<u>Quarter</u>	<u>Months in a Quarter</u>
1st	January, February, March
2nd	April, May, June
3rd	July, August, September
4th	October, November, December

Quarterly Taxpayer An employer who pays more than \$20,000 in wages in a calendar year **or** who has not elected to pay taxes annually. Sends payroll taxes and wage reports to EDD quarterly; sends reconciliation statements to EDD annually.

Reserve Account A record of the Unemployment Insurance (UI) taxes paid by you and the UI benefits paid by EDD to former employees and part-time employees. The balance in the account can be positive or negative and is used to set your UI rate. Employers with a negative reserve account balance do not pay ETT.

State Disability Insurance (SDI) A payroll tax withheld from your household employees' wages to provide benefit payments in case they are not able to work because of nonoccupational illness or injury, pregnancy, or childbirth.

Subject Wages All payments made to an employee for personal services, whether paid by check, cash, or noncash payments, such as meals and lodging. Generally, all wages are considered subject wages, regardless of the \$7,000 Unemployment Insurance (UI) and \$56,916 State Disability Insurance (SDI) taxable wage limits, and are used to determine UI and SDI benefits.

Taxable Wage Limit The highest amount of wages that you pay taxes on for each employee. The taxable wage limits for 2003 are \$56,916 for State Disability Insurance (SDI) and \$7,000 for Unemployment Insurance (UI) and Employment Training Tax (ETT).

Unemployment Insurance (UI) A payroll tax used to pay benefits to workers who are unemployed and qualify for UI benefits. Most new employers are required to pay a UI rate of 3.4 percent (.034). After the first three tax years, an employer's tax rate is determined by his/her experience rating and the condition of the UI Fund.

Wages Checks and cash paid to people who work for you and noncash payments, like meals and lodging, provided to people who work for you.

Withholding Money deducted from your employees' wages for State Disability Insurance (SDI) and California Personal Income Tax (PIT). You must send SDI and PIT withholdings to EDD.



Gray Davis
Governor
STATE OF CALIFORNIA

Stephen J. Smith
Secretary
LABOR AND WORKFORCE DEVELOPMENT AGENCY

Michael S. Bernick
Director
EMPLOYMENT DEVELOPMENT DEPARTMENT



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